

# Advancing Nonprofit Organizational Effectiveness Research and Theory Nine Theses

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*Drawing on the general literature on organizational effectiveness, the specialized literature on nonprofit organizational effectiveness, and recent research in the field, this article advances nine theses, or conclusions, about the effectiveness of public benefit charitable, nonprofit organizations (NPOs). NPO effectiveness is (1) always comparative, (2) multidimensional, (3) related to board effectiveness (but how is not clear), (4) related to the use of correct management practices but not in any simple “best practices” way, and (5) a social construction. Furthermore, (6) it is unlikely that there are any universally applicable best practices that can be prescribed for all NPO boards and management, (7) organizational responsiveness is a useful organizational-level effectiveness measure, (8) distinguishing among types of NPOs is important and useful, and (9) level of analysis makes a difference in researching and understanding effectiveness. The article concludes by considering implications for organizational practice, boards and governance practices, program evaluation, including program outcomes assessment, and capacity building and capacity builders.*

**N**ONPROFIT ORGANIZATIONAL EFFECTIVENESS continues to be an elusive and contested concept. Is organizational effectiveness the same as program effectiveness? Is nonprofit organizational effectiveness a reality waiting to be discovered by those looking

*Note:* This article draws in part on a paper presented at the 2004 conference of the International Society for Third-Sector Research and the occasional paper “Nonprofit Organizational Effectiveness: Practical Implications of Research on an Elusive Concept,” issued in 2003 by the Midwest Center for Nonprofit Leadership at the University of Missouri–Kansas City.

for it? Will all those looking agree on what they have discovered? Do certain management practices generally promote greater organizational effectiveness? For that matter, are there “best practices,” and if so, what are they? These are just a few of the important questions that confront those interested in researching and improving non-profit organizational effectiveness.

In this article we synthesize the results of recent research that bear on these questions and present our summary in the form of theses—statements we believe are justified by research. We begin with a brief review of theses that we originally presented in 1999 (Herman and Renz, 1999), incorporating, where appropriate, more recent research bearing on those conclusions. We then add more theses and summarize the evidence for them. We conclude with implications for practice.

### Initial Theses on NPO Effectiveness

Effectiveness has long been an unsettled and contested concept in general organizational theory. In previous publications, we have suggested that the history of theorizing about organizational effectiveness reflects criticisms of and the development of modifications or alternatives to the goal model of effectiveness (Herman and Renz, 1997, 2004a). This pervasive and commonsense view of organizations considers organizations as rational instruments, as mechanisms to achieve something. Baruch and Ramalho (2006), as have others, note some of the criticisms of the goal model but maintain that really “organizations are established to fulfill aims” (p. 41). They argue that many researchers have failed to pay sufficient attention, in both the general literature on organizational effectiveness and that on non-profit organization (NPO) effectiveness, to possibilities for developing cumulative knowledge, knowledge that will contribute to theory building and effective management practice.

Honoring Baruch and Ramalho’s (2006) call for developing cumulative knowledge, we use our conclusions presented in Herman and Renz (1999) as theses to organize our review and assessment. We believe that revisiting and reassessing the initial conclusions are useful exercises, both to see if new evidence and theory affect the soundness of the conclusions and to set the stage for more recent conclusions. Throughout this article, when we refer to nonprofit organizations, we specifically mean the more limited set of organizations that are (in the United States) known as 501(c)3 publicly supported charities.

#### 1. Nonprofit Organizational Effectiveness Is Always a Matter of Comparison

This is logically required. The comparison may be to the same organization at earlier times, similar organizations, or some ideal

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(perhaps only implicit). And the basis for the comparison is a key, though sometimes hidden, element of the definition of effectiveness.

## 2. Nonprofit Organizational Effectiveness Is Multidimensional

General organizational theories (for example, the competing values framework of Quinn and Rohrbaugh, 1981), applied techniques (for example, the balanced scorecard of Kaplan and Norton, 1992), and much of the empirical work on nonprofit organizations (see reviews by Forbes, 1998, and Stone and Cutcher-Gershenfeld, 2002) conceive of nonprofit organizations as having multiple criteria of effectiveness and these criteria are often independent of one another.

Baruch and Ramalho (2006), in their analysis of 149 empirical studies of organizational effectiveness (in all kinds of organizations) published between 1992 and 2003, found that the criteria used to assess effectiveness varied by types of organizational samples studied. In studies of business ( $n = 100$ ), they found the majority of studies used multiple criteria, though 42 percent of those studies used exclusively financial criteria. In studies of NPOs ( $n = 21$ ), virtually all used nonfinancial (for example, employee satisfaction, customer orientation, quality, and public image) as well as financial criteria. The most commonly used criterion among NPO studies was efficiency (conceived as an input-output ratio), though the nonfinancial criteria had been used almost as often. In the mixed (both business and NPO) sample, both financial and nonfinancial criteria were common.

That NPO effectiveness is multidimensional has fundamental implications for theory, research, and practice. A key implication is that NPO effectiveness cannot be assessed with a single indicator. Therefore, models examining how NPOs might maximize a single criterion (such as surplus, growth, or revenues) are not appropriate.

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## 3. Boards of Directors Make a Difference in the Effectiveness of NPOs, But How They Do This Is Not Clear

Several studies, using different kinds of NPOs and different conceptions and measures of board and organizational effectiveness, have found a relationship between board effectiveness and organizational effectiveness. The common assumption is that causation is from board to organizational effectiveness. However, only one study to date (Jackson and Holland, 1998) provides any solid evidence in support of the assertion that board effectiveness is a cause of organizational effectiveness.

In 2004, we collected data on a panel of local publicly supported charitable nonprofits (providing health and human services) at two widely separated times, including data on judgments by various stakeholders of overall effectiveness and extent of use of various recommended board and management practices (Herman and Renz, 2004a).

A slight majority (55 percent) of the organizations increased the number of recommended board practices they used; many others either used the same or fewer board practices at time 2 than at time 1.

Using static-score regression analysis and controlling for the time 1 effectiveness ratings, we found that neither board members nor funders based their time 2 effectiveness judgments on the extent to which board practices were used. The analyses also show that both chief executives and board members regard the financial condition of the organization as a significant measure of the board's effectiveness. Does this "financial results orientation" account for some boards' decrease in the use of recommended board practices? This analysis also found that board member prestige has some impact on funders' judgments of board effectiveness (suggesting that funders are more likely to know about member prestige than about a board's internal practices).

Brown (2005), using the board performance instrument developed by Jackson and Holland (1998), also investigated the relation between board performance and organizational performance. He measured organizational effectiveness in several ways, including four indicators of financial performance, and perceived organizational performance using a five-item instrument drawn from our 1997 study (Herman and Renz, 1997). The perceived organizational performance instrument was completed by both board members ( $n = 121$ ) and chief executives ( $n = 183$ ). The board performance instrument contains six dimensions, as well as an overall score. Brown correlated scores on the seven measures of perceived board performance with the four financial indicators and found that six (of twenty-eight) correlations reached conventional levels of statistical significance. Five of the six significant results show fairly small correlations between net revenue performance and board performance. However, a regression analysis of net revenue found that after organizational size and age were entered, board performance had no statistical effect on net revenue. This set of results is consistent with those of our 2004 publication and suggests that boards may be evaluated by various stakeholders in relation to organizational financial performance, though how often the work of the board actually affects financial performance remains unclear (Herman and Renz, 2004a).

Brown's results (2005) for correlations between board performance and perceived organizational performance are stronger. For chief executives, three dimensions of board performance (judged by the executives) are related to organizational performance (judged by board members). For board members, six (of seven) board performance dimensions (judged by board members) are related to organizational performance (judged by executives). Regression analyses of organizational performance, using only the six board performance dimensions, found that (1) "interpersonal" board competency significantly related to organizational performance for board members, and (2) "interpersonal" and "strategic" competencies significantly

related to organizational performance for executives. Brown suggests these results are consistent with a number of theoretical perspectives (including agency theory, resource dependence theory, and group process theory), though we see them as more strongly supporting the view that an effective board is a collegial one with strong interpersonal ties.

Research by Preston and Brown (2004) found board member emotional commitment positively related to board performance. Furthermore, they found that length of membership, frequency of board attendance, and hours spent on organizational activities are related to board performance. In recent research using credit union boards, Brown (2007) reported that certain board recruitment and orientation practices are related to board member competence and that member competence is related to board performance, measured through responses from board members themselves. Further research is necessary, both on modeling the causal ordering between board and organizational effectiveness and also to determine what board member, board process, and organizational factors are important in affecting board performance, yet the recent research clearly provides further support for the conclusion that at least in some ways, board effectiveness is related to organizational effectiveness.

#### **4. The More Effective NPOs Are More Likely to Use Correct Management Practices**

Several cross-sectional studies support this thesis. Galaskiewicz and Bielefeld (1998) found in their panel analyses of NPOs in Minneapolis and St. Paul that increased use of selected managerial (as distinguished from political and retrenchment) tactics led to increased growth (in expenditures and number of employees). Increases in size or growth are not necessarily appropriate indicators of nonprofit organizational effectiveness, yet it is certainly arguable that some stakeholders might regard growth in size as an indicator of effectiveness.

Clearly certain board and management practices are currently in favor. As the institutional school of organization theory (Meyer and Rowan, 1977; DiMaggio and Powell, 1983) predicts, when there is substantial uncertainty about the methods for achieving outcomes or when outcomes are difficult to measure, organizations are likely to emphasize the adoption of approved procedures to achieve or maintain their legitimacy. We found in the panel study referenced earlier (Herman and Renz, 2004a) that board members judged organizational effectiveness in relation to the extent of use of correct management practices, but funders and senior managers did not. Funders' and senior managers' judgments at time 2 were related to their time 1 judgments, which suggests that they see some continuity in the extent of an organization's effectiveness. These results raise concerns about the merits of the increasingly common trend to easily identify "best practices," in relation to both NPO board management and

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organizational management, and suggest we must question the assumption that there is one best way of doing board work or managing NPOs.

This also suggests that assertions of what are best practices will change over time. Our view is that nonprofits are likely to find that influential stakeholders such as foundations, United Ways, and accrediting bodies will change their beliefs about “best practices” because, as more and more NPOs adopt the preferred “best practices” over a given period of time, those practices will no longer seem to them to differentiate the more versus less effective NPOs. However, this assertion clearly needs further investigation.

### 5. Nonprofit Organizational Effectiveness Is a Social Construction

The social constructionist perspective challenges taken-for-granted understandings of some parts of the social world. Many parts of the social world are “real” only because people have believed and acted in ways that are consistent with that reality. This is not to deny that social constructions have significance or consequence. For example, as many have observed, the idea and categories of race are social constructions. Of course, as experience with race makes all too clear, social constructions perceived to be real are real in their consequences.

An analogy that illustrates the ways that NPO effectiveness is socially constructed is the baseball umpires story. As the story goes, three umpires are describing how they call balls and strikes. The first says, “I call ’em as they are.” The second says, “I call ’em as I see ’em.” The third, the social constructionist of the group, says, “They ain’t nuthin’ ’til I call ’em.” In the world of NPOs, there are activities and accounts of activities, such as annual reports, program outcome reports, stories told by CEOs to board members, funders, and others, and so on. These activities, like pitches, are nothing until someone calls or interprets them. That is, they are not significant until someone forms judgments of effectiveness from them (and, usually, communicates those judgments) and acts on the judgments. Unlike in baseball, there is no single umpire in NPOs. All stakeholders are permitted to “call” effectiveness; some stakeholders will be more credible than others, and some will be more influential than others. As yet, there is no commonly agreed basis for judging NPO effectiveness.

### More Theses

Building on recent research and scholarship, we propose four additional theses. (In our 1999 article, we included a sixth thesis arguing that program outcome indicators were not equivalent to NPO effectiveness. This issue we now include in thesis 9.)

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## 6. It Is Unlikely That There Are Any Universally Applicable “Best Practices” That Can Be Prescribed for All NPO Boards and Management

Claims about “best practices” for nonprofit boards and for the management of NPOs must be critically evaluated. The concept of best practices has been widely invoked, yet many of the sources that claim to offer best practices for NPO boards or management provide little or no basis for their assertions. The evidence from our panel study does not support the claim that any specific board or management practices are indeed best practices (assuming that the purpose of “best practice” is that of increasing effectiveness).

What evidence is required to support a claim of best practice? Keehley, Medlin, Longmire, and MacBride (1997) write that “best practices” should meet seven criteria: be successful over time, show quantifiable gains, be innovative, be recognized for positive results (if quantifiable results are limited), be replicable, have relevance to the adopting organization, and not be linked to unique organizational characteristics (generalizable). We have not found any “best practice” that comes close to meeting these criteria. Likewise, studies of what have been promoted as best practices for business corporation boards have also found no relation between those practices and corporate performance (see Heracleous, 2001). We prefer the term *promising practices* to refer to practices that nonprofit leaders should examine because there is promising evidence of potential value.

The lack of validity of best practice thinking is neither new nor inconsistent with learning in human services programming. Schorr (1997), for example, chronicles recurrent failed efforts to successfully implement innovative program practices and attributes this lack of success to the fact that those attempting to replicate innovative program practices failed to recognize the importance of the systems and institutional context and the consequent need for adaptation.

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## 7. Responsiveness Is a Useful Overarching Criterion for Resolving the Challenge of Differing Judgments of NPO Effectiveness by Different Stakeholder Groups

All the operational measures of NPO effectiveness that researchers use include specific criteria. A measure that leaves to the respondent just what criteria are to be used might offer a way of recognizing the social construction of effectiveness but still allow for aggregating stakeholders’ judgments of effectiveness. Tsui (1984) created an instrument for measuring coworkers’ judgments of the effectiveness of individual managers. In our 2004 study, we adapted Tsui’s three-item instrument to apply to organizations and asked respondents to assess how well the organization was doing on whatever they deemed important (Herman and Renz, 2004a). In this way, the instrument was a measure of organizational effectiveness as responsiveness.

We found that all stakeholder groups rated organizational responsiveness as strongly related to organizational effectiveness. Their analyses show that not only is responsiveness related to effectiveness (for all stakeholder groups), but that each group's responsiveness rating is highly related to the average of the groups. This means that researchers can use the averaged responsiveness score as an indicator of effectiveness or, at least, one kind of effectiveness.

### 8. It Is Useful to Differentiate Among Different Types of Nonprofit Organizations in Assessing the Merits of Different Approaches to Understanding Nonprofit Effectiveness

As many have observed, the (U.S.) legal category that has often been used to define and identify nonprofit organizations includes very disparate organizations in terms of activities, size, scope, and other characteristics. What such organizations have in common at a minimum is that they cannot distribute earnings to anyone (the nondistribution constraint) and that they must receive certain proportions of their revenues from various public sources (that is, public support). How to distinguish types in a meaningful way is an important question. One approach, reflected in the United States by the development of the National Taxonomy of Exempt Entities, is to distinguish among fields of activities, such as arts, education, health, employment, and housing. To a large extent, this approach corresponds to "naturally occurring" industry groups such as museums and health institutions.

A different approach is to distinguish among publicly supported charities on a more limited but conceptually meaningful basis. Recent writings about social entrepreneurship or nonprofit commercial enterprise suggest that the distinction between "donative" and "commercial" charities (apparently first proposed by Hansmann, 1980) may be meaningful. Those who advocate that NPOs become more commercial certainly see such organizations as importantly different from donative NPOs.

In a study that distinguished organizations by primary revenue source (private donations, government contracting, and commercial), Hodge and Piccolo (2005) found that chief executives of donative organizations reported using significantly more board involvement practices compared to commercial and government-dependent organizations.

In the panel study (Herman and Renz, 2002, 2004b), we investigated whether classifying NPOs into donative and commercial categories would usefully order differences in results. In particular, we examined whether there are differences in use of practices according to organization type, and considered whether certain practices are more likely to be related to success for one type or the other. The goal model would hold that use of such practices is a rational means to achieve substantive goals. However, if the use of these practices was

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focused on seeking legitimacy, then donative NPOs would use a greater proportion of both prescribed board and management practices. As noted earlier, neoinstitutional theory suggests that use of prescriptive board and management practices may be indicators of efforts to secure legitimacy (that is, demonstrating to funders and other interested stakeholders that an NPO does the right things).

We found, on average, that the two types were relatively close in use of prescribed practices at time 1, but that the donative NPOs increased their use of prescribed practices to a much greater extent by time 2 (Herman and Renz, 2002). Subsequently we also examined whether financial management outcomes (surplus and change in revenues) were more strongly related to the use of correct management practices in donative NPOs than in commercial NPOs (Herman and Renz, 2004b). We determined that the more donative NPOs used both prescribed management practices and formal performance management at time 2, the larger their surplus was at time 2 (controlling for surplus at time 1). For commercial NPOs, neither of these “good management” indicators was related to change in surplus. Similarly, for donative NPOs, the more they used both prescribed management practices and formal performance management, the greater was their increase in total revenues. For commercial NPOs, neither good management indicator was related to financial growth.

Galaskiewicz and Bielefeld’s panel study (1998), with a much larger and more varied sample over more time periods, found many differences between commercial and donative NPOs. Their study focused on growth (measured by revenues and numbers of employees and volunteers) rather than effectiveness. However, taken together, these two panel studies and other recent research support the utility of the commercial-donative distinction.

In their analyses of change in nonprofit trustee characteristics in six U.S. cities over a sixty-year period, Abzug and Simonoff (2004) find that board diversity increased more among the types of nonprofit organizations that are more dependent on government funding. Although their archival data do not permit classifying organizations as either donative or commercial, their finding is consistent with the neoinstitutional perspective on the use of board practices as tools of legitimacy.

## **9. Level of Analysis Makes a Difference in Understanding Effectiveness, and It Is Important to Differentiate Effectiveness at Program, Organization, and Network Levels**

Nonprofit organizational effectiveness is related to, yet distinct from, effectiveness at the program and network levels of effectiveness. NPO effectiveness, despite its elusiveness, is so important to so many stakeholders that it is not surprising that managers have done their best to measure and use effectiveness results to improve management

practices. Yet many such approaches focus on the measurement and use of program outcomes. Indeed, the recent emphasis on program outcomes assessment suggests that some stakeholders (especially funders) consider program effectiveness to be more important or of greater interest than other kinds of effectiveness. Although NPO effectiveness is sometimes treated merely as the sum of the effectiveness of an agency's programs, the research clearly supports the conclusion that organizational effectiveness is not identical to program effectiveness. Thomas (2004) and other evaluation experts have warned that nonprofit leaders and executives need to be very careful in their use of program outcomes assessments to judge organizational effectiveness.

Sawhill and Williamson (2001) have argued that accomplishment of NPO missions (which certainly are more closely linked to the organizational level of effectiveness) could be measured, yet they ultimately back away from that assertion and focus instead on the value of setting specific and fairly difficult goals. They also extol the marketing and public relations advantages of communicating performance goals. Such approaches may well be useful for managing, yet they do not provide a systematic basis for accumulating evidence relevant to a general theory of NPO effectiveness.

Recent advances in analytical methods have led Sowa, Selden, and Sandfort (2004) to describe a multilevel model of NPO effectiveness that they suggest can integrate program and management effectiveness. Their work uses hierarchical linear models, which provide for analysis of data at multiple levels of analysis (such as individual employees and the organizations of which those individuals are employees). This statistical method makes it possible to estimate how variation in the dependent variable is explained by both individual-level characteristics and organizational characteristics. This approach has been widely used in program evaluations (for example, Heinrich and Lynn, 2000, present analyses of job training; Bloom, Hill, and Riccio, 2003, evaluate welfare-to-work programs).

Nevertheless, although this method is useful for many purposes, it does not in itself make NPO effectiveness measurable and therefore does not offer much help in addressing true organization-level NPO effectiveness. It is grounded in an assumption that organizational effectiveness fundamentally is about program effectiveness. Like any other empirical research method, hierarchical linear models require data gathered on the same variables over a large number of cases; thus, research using this method (as is currently the case with its use in program evaluation research) will likely focus on similar organizations. The dependent variable in such analyses is very likely to be an individual-level variable. However, if the dependent variable is to be an organizational-level variable, collecting and analyzing data at the individual level would be pointless. Furthermore, this method (like any other method) does not resolve the more

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fundamental conceptual challenge: Should NPO effectiveness be considered as an independent (of judgments of stakeholders) reality, or is it inevitably a social construction (which in some cases could be shared by most stakeholders, thus giving it the appearance of independence)? Continued advance of research and theory on NPO effectiveness will require more than specific management techniques and more than sophisticated analytical methods.

It also is increasingly important to understand NPO effectiveness from the perspective of interorganizational networks and network-level effectiveness. An emphasis on the effectiveness of NPOs as separate and distinct entities can easily lead to the conclusion that an organization creates its own effectiveness. However, in many ways, the perceived effectiveness of an organization often depends on the effectiveness of other organizations and people with which it is interconnected and the ways in which they are interconnected. As more NPOs collaborate to deliver services through networks of service delivery, network characteristics and effectiveness will become increasingly important to understand for their relationship to organizational effectiveness.

For example, research by Provan and Milward (1995) investigated how network characteristics (among community mental health service providers) were related to assessments of client outcomes. They found that client and family assessments of client outcomes were closely correlated, though staff assessments were not (illustrating the thesis that stakeholders often evaluate program outcomes differently). They found network centralization was most clearly related to positive client and family assessments. In a related study, Provan and Sebastian (1998) found that different types of network structures are clearly related to client outcomes and, in particular, that client outcomes are likely to be significantly affected by the nature of the network that exists to address the client's set of needs. Clearly, studies of program effectiveness in such settings also will need to look beyond an organizational focus to gain an understanding of network impacts (see Milward and Provan, 1998, for discussion of their methodology for measuring network characteristics).

While the limited work to date has focused largely on the relationship between network effectiveness and program outcomes, there remains yet another level of analysis that is likely to emerge as important in the future: analysis of the relationship between network effectiveness and NPO effectiveness, including NPO sustainability. Most of this level of work to date has been implemented in for-profit settings (for example, Human and Provan's 1997 work on small manufacturing networks and Geletkanycz and Hambrick's 1997 work on the food and computer industries). However, given the combination of growing concerns about NPO sustainability and the spread of collaborative NPO networks, we can expect to see much more research at this level of analysis in the future.

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## Implications

The strong interest of NPO managers, board members, funders, and NPO regulators in finding clear answers to the question, "How can an NPO be effective?" compels us to draw some key practical implications, given current knowledge.

### Implications for Organizational Practice

Nonprofit leaders need to recognize that NPO effectiveness is socially constructed, that it is not a stable construct, and that different stakeholders will judge it differently. In fact, important stakeholders frequently are not clear about their bases for assessing a nonprofit's effectiveness. Like art, they may know effectiveness when they see it, but what do they look for? Furthermore, over time, many stakeholders will change their implicit criteria for assessing effectiveness. It is essential that NPO leaders regularly interact with key stakeholders to ensure that they understand these criteria and how they may be changing. And if the NPO leaders find that stakeholder criteria are off base, they must help the stakeholders refine them.

Research by Balser and McClusky (2005) supports the importance of managing stakeholder relations. In an in-depth qualitative study, they find that organizations identified as highly effective by a panel of knowledgeable observers differed from less effective organizations in the ways and extent to which they engaged stakeholders. They suggest that effective stakeholder engagement is more than mere frequency of communication; effective nonprofits exhibit a consistent thematic approach to that engagement. Since responsiveness is a key factor in NPO effectiveness, we believe it is crucial for the organization's managers to understand what stakeholders expect and move the organization toward more fully responding to and meeting its stakeholders' expectations (including, when appropriate, to respond to and honestly challenge or debate those expectations).

Some are uncomfortable with the notion that NPO effectiveness is a social construction; they worry that this means that NPO effectiveness is arbitrary. It is not. And although effectiveness is socially constructed, there are useful dimensions of effectiveness (for example, financial condition, fundraising performance, or program outcomes) that can be grounded in hard data. For example, use of generally accepted accounting principles provides solid evidence about revenues, costs, and surplus. Other dimensions of effectiveness, such as those related to community collaboration or working with volunteers, are likely to be less amenable to hard evidence. We support and encourage the use of hard evidence to the extent it is legitimately possible. But we also know that nonprofit leaders should not expect that all of their stakeholders will interpret and use that

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evidence the same way and that different stakeholders will use different combinations of evidence in different ways.

The popularity of “best practices” attests to the hope of finding a pot of gold at the end of the search. One key assumption of the best practices approach is that a particular technique or process that works well in one setting can and should be incorporated into other different settings. This may be true for certain rather common administrative functions, particularly those that must comply with externally mandated standards such as the adoption of procedures to ensure adequate internal controls. However, in many instances a practice that enhances effectiveness in one organization may be a poor choice for another.

We do not conclude that practices and procedures are unimportant. Undoubtedly every organization must discover and continually seek to improve its practices, consistent with its values, mission, and stakeholders’ expectations. But these practices must align well with each other and with the organizational context in order to enhance effectiveness.

### Implications for Boards and Governance

Board members need to understand that NPO effectiveness is socially constructed, that it is not a stable construct, and that different stakeholders will judge it differently. In addition, board effectiveness is socially constructed and changeable. Thus, a critical role that board members may serve on behalf of an NPO is that of a monitor and sensor—a vital link to help the agency remain in touch with the potentially changing effectiveness judgments of key stakeholders.

Just as with management practices, we do not believe that the research suggests that board process management is unimportant. But not only is there no silver bullet (that is, a single practice that ensures effectiveness), there is no silver arsenal for board success. Boards, perhaps with the help of executive or other facilitative leadership, need to identify the processes that will be most useful to them. Do not use a practice just because others say it is useful. Ask some key questions: Does the practice fit this board’s circumstances? Does the practice actually add value in helping the board lead and govern? Does the practice contribute to the organization’s success?

### Implications for Program Evaluation and Outcomes Assessment

We have explained the need to be careful about using program outcome assessments to judge NPO effectiveness. We see only a very few (rather unlikely) circumstances under which program outcomes could legitimately be considered to equal organizational effectiveness. (Such a conclusion would be valid, for example, in situations

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where the NPO conducts only one program and there are no other explanations for outcomes, such as the effect of other programs or events.) These circumstances are so unusual that for the typical NPO, program outcomes assessments must be regarded as relevant but limited indicators of organizational effectiveness.

Certain approaches to program evaluation may be uniquely useful. For example, qualitative forms of program evaluation that emphasize the engagement of key stakeholders in the process (Patton, 1997) may more closely align with the realities of organizational effectiveness and be more likely to help all stakeholders work toward mutually valued results.

### **Implications for Capacity Building and Capacity Builders**

Given that we lack evidence for best practices, those who fund or provide capacity-building support should avoid advocating for one best way or set of ways for doing things. Ideally, they will recognize and support an array of promising practices and provide process skills and knowledge to help NPOs assess the match of the practices to their environment, circumstances, and stakeholders. (See Wing, 2004, for more on the dilemmas facing those funding and doing organizational capacity building.) Furthermore, capacity building should go beyond the internal organization and help NPO leaders create processes by which to identify and understand the interests and expectations of key stakeholders and to create constructive strategies by which to engage them. Some promising practices will differ depending on the domain or field of service of the organization. Therefore, capacity builders should research and help NPOs identify the practices that are considered fundamental or “absolutely required” as matters of standard or ethical practice, as well as the emerging and promising practices that will be relevant to effectiveness, given an NPO’s particular domain and environment.

### **Conclusion**

Nonprofit organization effectiveness remains a complicated and challenging construct for researchers and practitioners alike. Nonetheless, with each additional study we gain slightly more clarity about NPO effectiveness and how we might usefully understand it. This article presents one research team’s effort to synthesize and learn from the work to date. There is little doubt that readers will find some of these proposed implications more compelling than others. We offer these observations and suggest these implications not because we have the answers, but because we want to encourage and contribute to the growth of research and advance the debate about NPO effectiveness. We invite scholars and practitioners alike to test our conclusions and consider their implications for their work. Only as

a community will we be able to develop useful understandings of nonprofit organization effectiveness and how we can build the sector's capacity to achieve meaningful results.

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