RESEARCH NOTE

No Longer Unmeasurable? A Multidimensional Integrated Model of Nonprofit Organizational Effectiveness

Jessica E. Sowa
University of South Carolina

Sally Coleman Selden
Lynchburg College

Jodi R. Sandfort
University of Minnesota

Few topics in nonprofit research and practice have received greater attention in recent years than organizational effectiveness. In spite of this intellectual interest, little consensus has emerged, either theoretically or empirically, as to what constitutes organizational effectiveness and how best to measure it. In this article, we introduce a multidimensional and integrated model of nonprofit organizational effectiveness (MIMNOE). The model captures two prominent dimensions of organizational effectiveness, management effectiveness and program effectiveness. In addition, to illustrate how this framework can be used empirically, the article proposes a method of analysis that exploits the interrelationships between the multiple dimensions in the model. MIMNOE is useful for both scholars and practitioners because it requires attention not only to program outcomes, but also equally to the factors that influence those outcomes.

Keywords: *effectiveness; performance; capacity; outcomes*

Few topics in nonprofit research and practice have received greater attention in recent years than organizational effectiveness. In spite of this intellectual interest, little consensus has emerged, either theoretically or empirically, as to

Note: An earlier version of this article was presented at the 30th Annual Conference of the Association of Research on Nonprofit Organizations and Voluntary Action (ARNOVA), Miami, Florida, November 29, 2001-December 1, 2001. We would like to thank the Charles Stewart Mott Foundation for their generous support of this research. We would also like to thank the reviewers of this article for their thoughtful and helpful comments.

Nonprofit and Voluntary Sector Quarterly, vol. 33, no. 4, December 2004 711-728
DOI: 10.1177/0899764004269146

what constitutes organizational effectiveness and how best to measure it (Forbes, 1998; Goodman, Pennings, & Associates, 1977; Rainey & Steinbauer, 1999).[1] Yet, questions of effectiveness have become increasingly important in the world of practice, as government and philanthropic funders, clients, and the public exert increased pressure on nonprofit organizations to demonstrate their impact on complex social problems. Tools such as outcome measurement, benchmarking, and quality systems are being adopted to build organizational capacity and achieve greater effectiveness (Letts, Ryan, & Grossman, 1999; Salamon, 1997). These developments create an even greater imperative for scholars to agree on common criteria that define effective nonprofit organizations and provide frameworks that can facilitate the assessment of effectiveness.

Although organizational effectiveness research is beset with controversy, including debates about the primary factors that constitute organizational effectiveness (Goodman et. al, 1977; Rainey & Steinbauer, 1999) and questions about validity of measuring the construct at all (Goodman, Atkins, & Schoorman, 1983; Hannan & Freeman, 1977; Steers, 1975), the topic perseveres because of its substantive importance. Scholars of nonprofit organizations have argued that the characteristics of these organizations, such as their unique financial and legal status and their goals based on social values, make discussions about how to conceptualize organizational effectiveness even more complex (Au, 1996; Kanter & Summers, 1987; Ostrander & Schervish, 1990). In fact, several recent reviews of studies of nonprofit organizational effectiveness detailed the various theoretical approaches utilized in the literature, examined research findings, and identified the myriad of conceptual and empirical problems that still remain (Forbes, 1998; Herman, 1990; Herman & Renz, 1999).

This article introduces a multidimensional and integrated model of nonprofit organizational effectiveness that builds directly on the work of previous scholars. It addresses a shortcoming in some of the previous work—the lack of deliberate distinction between levels and units of analysis in measuring organizational effectiveness (Jreisat, 1991, p. 16). The multidimensional, integrated model of nonprofit organizational effectiveness (MIMNOE) captures two distinct levels or dimensions of effectiveness—management effectiveness and program effectiveness.[2] Both management and program effectiveness are decomposed further into two subcomponents: capacity and outcomes.

STUDYING ORGANIZATIONAL EFFECTIVENESS—MULTIPLE VIEWS COMPETE FOR PROMINENCE

Organization theory has produced a plethora of models exploring organizational effectiveness; in fact, some scholars have stated that there are as many models as there are studies of organizational effectiveness (Herman & Renz, 1999). Because the proposed model builds on the work of previous scholars,

the article reviews briefly some of the criteria that have been employed in previous models of organizational effectiveness.

Some scholars focus on internal organizational factors when defining criteria of effectiveness, such as its goals or procedures for accomplishing these goals. The rational goal or purposive-rational model of organizational effectiveness assumes that organizations are designed to achieve certain goals, both formally specified and implicit. It focuses on the extent to which an organization reaches its goals as the key criterion of effectiveness (Etzioni, 1964; Pfeffer, 1982; Price, 1972). Other scholars emphasize different internal measures when they develop a portrait of effectiveness, such as various measures of organizational health (Argyris, 1964; Bennis, 1966; Likert, 1967).

Still other scholars focus on external factors in developing criteria of effectiveness, emphasizing the relationship of an organization to its environment. The system resource model, developed by Seashore and Yuchtman (1967), defines organizational effectiveness through the survival of the organization, "the ability to exploit its environment in the acquisition of scarce and valued resources to sustain its functioning" (p. 393). Therefore, in this conception the inputs into an organization are more important than their outputs because an organization's ability to maintain sufficient resources for survival is the most important indicator of effectiveness. Another approach to conceptualizing effectiveness focuses on organizations' relationships with key external actors. The ecological model or the participant satisfaction model defines organizational effectiveness according to organizations' ability to satisfy key strategic constituencies in their environment (Boschken, 1994; Connolly, Conlon, & Deutsch, 1980; D'Aunno, 1992; Keeley, 1978; Miles, 1980, Zammuto, 1984).

The organizational effectiveness research demonstrates, because organizations vary, that these organizational differences may lead to the appropriate criteria for assessing effectiveness varying across them. Organizations with clearly defined and easily measurable goals may be assessed using the rational goal model. On the other hand, organizations with more ambiguous goals may be better appraised using other factors, such as fiscal health, the ability to attract and sustain resources, or the ability to satisfy key stakeholders. In addition, in selecting criteria, scholars exercise different value judgments about what is most appropriate in determining organizational effectiveness (Cameron & Whetten, 1983).

Several scholars have tried to address this conundrum of organizational variation and different values associated with measuring effectiveness by incorporating aspects of each of these models into comprehensive frameworks that are argued to provide a more complete picture of what constitutes organizational effectiveness (Cameron, 1981, 1982; Quinn & Rohrbaugh, 1981, 1983). Cameron (1978, 1981, 1982) developed a multidimensional approach that attempts to reconcile the system resource, rational goal, internal process, and participant satisfaction models. Quinn and Rohrbaugh (1981, 1983) developed a spatial model of organizational effectiveness that attempts to acknowledge the competing values that surround the assessment of

organizational effectiveness, values such as internal focus versus external focus and the balance between means and ends.

Multidimensional models of organizational effectiveness have gained prominence among nonprofit scholars, with many studies using multidimensional approaches and others arguing that the nature of nonprofit organizations demands frameworks that capture multiple dimensions of these organizations (Cameron, 1982; Forbes, 1998; Herman & Renz, 1997, 1999; Kushner & Poole, 1996; Ostroff & Schmitt, 1993; Rojas, 2000). It is to this movement that the model presented in the following section seeks to contribute.

MIMNOE

MIMNOE builds upon debates in the organization theory and nonprofit management research base that a multidimensional model represents a promising way to capture nonprofit organizational effectiveness. Scholars maintain that developing frameworks or models for the assessment of effectiveness is more fruitful than attempting to derive single measures that encapsulate the construct (Cameron, 1982; Cameron, & Whetten, 1983). For example, Campbell (1977) states,

> A better way to think of organizational effectiveness is as a construct that has no necessary and sufficient *operational* definition but that constitutes a model or theory of what organizational effectiveness is. The functions of such a model would be to identify the kinds of variables we should be measuring and to specify how these variables, or components interrelate—or should be interrelated. (p. 18)

This article wrestles with this challenge and considers both which factors should be assessed and how they interrelate in order to form a model for understanding nonprofit organizational effectiveness. Although this model will not end the debate on this subject by providing the definitive statement, it will illuminate new avenues for scholars and practitioners to research this important and enduring topic.

First, the model is hierarchical, as many organizations are fundamentally hierarchical. Organizations have multiple levels that together form the whole that is the organization. With this framework, we argue that the primary levels encompassing organizations are their management core and the programs that they deliver, and, therefore, we posit that organizational effectiveness comprises two primary and distinct levels: management and program. "Management" refers to organizational and management characteristics—those characteristics that describe an organization and the actions of managers within it. Measures of management encompass variables that tap capacity (structure and process), as well as those that represent the outcomes of these management systems and activities. "Program" refers to the specific service

or intervention provided by the organization. It also has variables that relate to the capacity (structure and process) of the program, as well as the outcomes created by the intervention. Before delving more deeply into the specific measures included in this model, the next section explains the principles driving it.

Principle 1: There are multiple dimensions of effectiveness, with the primary dimensions being management and program effectiveness.

In specifying multidimensional frameworks of organizational effectiveness, scholars have generally differentiated dimensions along certain theoretical premises or assumptions. This model presented here is premised on the idea that a fruitful distinction is between the effectiveness of the management operations of an organization and the effectiveness of the programs that the organization operates. Organizational effectiveness is more than the mere outcomes of the programs it operates or the services it provides. It is as importantly a function of its management structures, how well they operate, and their impact on the most crucial organizational resource, its employees. Management structures are especially important in nonprofit organizations because staff play an essential role in translating organizational inputs into outputs (Hasenfeld, 1983). Improving management effectiveness may lead to better program performance, as it provides a foundation for the sustainability, improvement, and growth of programs (Letts et al., 1999). An effective organization needs to operate effectively at both the management and program levels. An organization that is well managed and operated but delivers poor programs is not fully effective, just as an organization that delivers well-run programs but has an unhappy staff or poor overall organizational operations is not fully effective.

Principle 2: Management effectiveness and program effectiveness are further composed of two subdimensions, (a) capacity (processes and structures) and (b) outcomes.

For each primary dimension, this framework proposes two additional subdimensions of effectiveness (Herman & Renz, 1999; Scott, 1977). The first encompasses capacity as measured by processes and structures and the second includes outcomes. "Capacity" refers to how the organization or program operates, the structures in place, and the operating processes that dictate and direct employee action. "Outcomes" are the results produced by management and program activities. Too often, outcomes alone become the indicators of choice for representing organizational effectiveness. Yet, hidden behind those outcome measurements are complex and diverse dynamics that may vary across and within organizations and programs. To improve outcomes, organizations need to understand how their structures and processes enable or hinder those outcomes.

Scholars often use multiple indicators of capacity and outcomes in research about effectiveness; however, they usually examine indicators only within one of the primary dimensions. For example, assessments of program, along both capacity and outcome, are found in schools (Arum, 1996; Chalos & Cherian, 1995; Ferguson, 1991) and job training programs (Hasenfeld & Weaver, 1996; Heinrich, 1999). Assessments of management, along both capacity and outcome, have occurred in public bureaucracies, state governments, and public health clinics (Ammar, Duncombe, Hou, Jump, & Wright, 2001; D'Aunno, Sutton, & Price, 1991; Ingraham & Donahue, 2000a, 2000b; Ingraham & Moynihan, 2001).

Principle 3: Both objective and perceptual measures are needed to fully capture the dimensions of effectiveness.

For each of the subdimensions within management effectiveness and program effectiveness, researchers should collect two types of measures to understand the constructs, objective and perceptual.[3] Social constructionist theory informs much recent work in organizational studies and teaches scholars and practitioners about the impact of "meanings" made by staff, management, and clients on how phenomena influence organizational operation (Herman & Renz, 1999; Scott, 1995; Weick, 1995).[4] Including both objective and perceptual measures enables scholars to better capture the actual construct of organizational effectiveness being studied. For example, merely having a state-of-the-art management system does not necessarily indicate that it functions effectively. An organization may have a sophisticated and integrated information technology system but may continue to process forms manually, such as program attendance sheets. By including perceptual measures alongside objective measures of the indicators of effectiveness, scholars may examine the degree to which these structures, processes, and outcomes align with the perceptions of those that participate in the organization on a day-to-day basis and develop a more comprehensive understanding of any possible organizational dysfunctions that may be reducing the effectiveness of the organization.

Principle 4: A model of organizational effectiveness should allow for organizational and programmatic variations within a systemic structure.

The proposed approach for analyzing organizational effectiveness is both stable and flexible, allowing researchers to customize the model to fit specific programmatic contexts. The model assumes that certain management structures and processes transcend all programs operated by the organization, but that the program level structures and processes may vary between programs.

The proposed indicators of management effectiveness are relatively stable. In developing this model, we kept the number small to achieve parsimony in the model; however, scholars could add additional measures to this model if

desired. However, those suggested could be used by most scholars, regardless of the differences among organizations, because they reflect management structures, processes, and outcomes that transcend a particular organizational type.

In contrast, measures of program effectiveness will generally vary depending on the nature of the programs operated by the organizations under investigation. Mental health programs will look different than early childhood or welfare-to-work programs. There also will be within-case variation, as many organizations operate more than one program, requiring the need to select different measures to represent the dimension of program effectiveness for each program or focusing exclusively on one program area.

To identify possible indicators, we drew measures from the many studies of nonprofit organizational effectiveness or organizational operation.[5] The following discussion addresses the suggested measures in more detail.

MANAGEMENT CAPACITY (STRUCTURES AND PROCESSES)

Generally, scholars find that more effective nonprofit organizations have similar management practices, certain structures and processes that are generally accepted as the best practices within the field (Herman & Renz, 1998, 1999). For the sake of parsimony, this model collapses many of the multiple measures of management structures and processes suggested in the research on organizational effectiveness into a single, overall construct of management capacity.

Objective indicators of management capacity. In examining the "black box" of organizational effectiveness, scholars have maintained that the possession of appropriate management capacity, having systems in place, certain structures and processes that support the operations of the organization, is a critical indicator of the effectiveness of an organization (Ingraham & Donahue, 2000a). Management capacity may be composed of the following management practices and systems that seem most relevant for nonprofit organizations: a formal mission statement, a strategic plan, the human resource systems, an independent financial audit, and an information technology system or systems (Herman & Renz, 1998; Stone, Bigelow, & Crittenden, 1999). A mission statement articulates the organization's reason for being and a strategic plan lays out a coherent plan of activities to be undertaken in the fulfillment of that mission. An independent financial audit is an indicator of fiscal management, the ability to report fiscal information in a reliable and consistent manner. With reference to human resource systems and processes, as many nonprofit agencies directly provide services using people as the conveyors of particular service technologies, personnel represent their most critical organizational input. As a result, human resource systems are particularly important because they can encourage performance among those employees.

Perceptual measures of management capacity. To enrich these objective measures encompassed in the construct of management capacity, researchers should collect data about the degree to which organizational employees, including both management and line staff, view the aforementioned systems and practices reflected in the objective management capacity measure. Are mission statements and strategic plans used? Are fiscal audits or training systems adopted merely because of pressure from the institutional environment or because they truly serve the needs of the organization (Dimaggio & Powell, 1983; Meyer & Rowan, 1977)? To understand this construct and the causal relationship it exerts on organizational outcomes, scholars and practitioners need to understand how these systems and practices actually function in the daily operation of the organization. Including a perceptual measure of management capacity, the staff evaluation of how well this management capacity actually operates and serves the needs of the organization allows for scholars to discover any possible disconnect between practices and perceptions.

MANAGEMENT OUTCOMES

Management outcomes should capture how well the management capacity, the structures and processes, work: the degree to which the employees of the organization are successfully managed and the degree to which the management structures and processes generate sufficient resources to maintain the operations of the organization (Hall, 1999; Rainey, 1997; Scott, 1998). Therefore, for management outcomes, scholars and practitioners should examine two key measures, financial health and employee satisfaction, using both objective and perceptual indicators.

Objective measure of organizational financial health. The systems resource model clearly establishes the importance of organizational financial health or stability as an outcome of nonprofit management systems. Organizations need resources in order to function effectively (Hall, 1999; Seashore & Yuchtman, 1967). Fund-raising and other revenue generation, cost sharing, and other staff efficiencies are all undertaken to bolster an organization's fiscal health. However, there are multiple ways to assess financial health, depending upon the research design being employed (Gronbjerg, 1993). Two possible measures that have been used in the past include the stability of revenue acquisition (measured through data collected on whether the organization has a stable history concerning their primary funding sources) and whether the organization maintains a financial surplus for emergencies.

Objective measure of employee satisfaction. In human resources management research, employee satisfaction is often used as the primary indicator of the effectiveness of management systems (Campbell, 1977; Davidson, 1998; Delery & Doty, 1996; Fitz-enz, 1994; Markowich, 1995; Martinez, 1996; Ulrich, 1997). The most common objective measure of employee satisfaction is

employee turnover. Lower turnover is indicative of a strong and more effective organization (Price, 1977). In part, this is because turnover creates high organizational costs when an employee departs, such as the cost of recruiting and training a new employee and the time needed to bring a new employee through the learning curve (Cascio, 1982; Selden & Moynihan, 2000).

Perceptual measures of management outcomes. As was true in measuring management capacity, perceptual measures help assess the degree to which the objective measures influence day-to-day organizational operations. Objective measures of financial health are certainly influenced by management perception of whether the organization possesses sufficient resources to conduct major operations, innovate, and weather emergencies. These perceptions should be captured through self-reports from management concerning their perceptions on their organization's financial well-being. In addition, such as in the study by Phillips (1996), employee job satisfaction, measured by the line staff's assessment of the satisfaction they have in conducting their duties and their overall motivation for work is a commonly used perceptual measure of management outcomes.

PROGRAM CAPACITY (STRUCTURES AND PROCESSES)

The effectiveness of the organization is also shaped by the effectiveness of the programs operated by the agency, both in terms of how they are structured and how they influence ultimate program outcomes. Many organizations, in particular nonprofit organizations, are specifically designed to create demonstrable changes in the lives of those they serve. Program capacity explores both how well programs are designed and operated and how well they are perceived as being designed and operated appropriately.

Objective measures of program capacity. Objective indicators of program capacity should tap the fundamental structures and processes of the programs being operated by the organization. The technology used by an organization—how it transforms its inputs into outputs—is an integral piece of overall program operations (Hall, 1999; Hasenfeld, 1983). Some organizations adopt technologies, such as mental health interventions, based upon well-tested models, whereas others develop programs by talking with other professionals in the field or adopting approaches that seem to be used by many other agencies. One measure of program capacity should tap this element, documenting the programmatic integrity of the model being used or the appropriateness of a theory of change. In addition, measures should be included concerning the level of material resources provided to a program, including financial resources and personnel resources. Lin (2000) has demonstrated that programs, although appearing to be fully implemented, may, in fact, reflect different degrees of implementation, such as subverted, neglected, and abandoned program implementation. Including a measure of program capacity into a

model of organizational effectiveness should address possible problems that have occurred during the implementation of particular programs.

Perceptual indictors of program capacity: The belief of program efficacy. As is true for management capacity, or processes and structures, staff perceptions of program elements are integrally related to how they are carried out each day. In research about organizational effectiveness, scholars should probe staff beliefs about the efficacy of their programs. Do they believe that their daily work is reasonably able to affect the desired program outcomes? Do they feel capable—in both knowledge and resources—of carrying out the tasks they have been assigned? Again, although the specific way of operationalizing this construct will depend upon the program under investigation, it is important that scholars tap staff beliefs about program process, because these beliefs integrally shape their day-to-day actions (Sandfort, 1999, 2000).

PROGRAM OUTCOMES

Considerable scholarly and practitioner attention is focused on assessing program outcomes. Much of the field of program evaluation, for example, tries to discern the "impact" of programmatic activity on numerous indicators. Two sets of program outcomes are often measured, one related to the program theories of change and one related to customer evaluations of the outcomes of the programs.

Objective indicators of outcome measures related to specific program theories of change. For objective measures of program outcomes, there will be variation in the measures depending on the nature of the services produced by the organization. Primarily, most program outcome measures should capture the degree to which the program achieves its purposes. For example, outcomes of interest in the context of a job training program includes measures such as the percentage of clients who worked or the average amount of client earnings (Hill, 2003). Therefore, although these outcome measures will vary, they should generally tap into the most important aspects of the service technology underlying the program processes in order to demonstrate whether these processes are effective.

Perceptual measure of program outcomes: client satisfaction. Clients are an important source of information regarding their perceptions of the program. Inquiring whether clients are satisfied with programs will allow for comparison with the objective measures of how well the programs actually served the clients, allowing for exploration into the degree to which the clients have sufficient understanding of the program and the degree to which it suits their needs.

The next logical step after operationalizing the constructs is to select a method that allows one to both measure the constructs and examine the causal

relationships between those constructs. The next section discusses the final principle that guides this choice.

Principle 5: The analytical method used to assess nonprofit organizational effectiveness should capture multiple levels of analysis and model interrelationships between the dimensions of organizational effectiveness.

A model of organizational effectiveness requires an appropriate analytical method to help analyze its key aspects. Multilevel structural equation modeling (SEM), a technique increasingly employed by organizational scholars, offers that method for the proposed model. It addresses some of the shortcomings of other methods that have been employed in prior studies of organizational effectiveness. Generally, in research examining organizational effectiveness, the methods employed focus on a single level of analysis—either organization or program. Although some researchers acknowledge that organizations are arranged hierarchically, many of the methods used by scholars generally focus on the linear relationships between determinants and indicators of effectiveness, often failing to reconcile the hierarchical relationship that exists (Forbes, 1998; Heinrich & Lynn, 1999, 2001a, 2001b). In these studies, the typical approach to analyzing organizational effectiveness is to either disaggregate data to the individual (e.g., client) level or to aggregate data to the organizational level (e.g., nonprofit organization). Neither approach is appropriate—one leads to disaggregation bias and the other to aggregation bias (Kaplan & Elliott, 1997). When disaggregating, the individuals within the organization will have the same values on the organizational level variables. This violates the assumption of independence of the error terms that leads to biased coefficients. When aggregating the data, details within organizations are sacrificed. This often leads to relationships appearing stronger than they are (Kaplan & Elliott, 1997). Therefore, there is the need for multilevel hierarchical modeling that allows for the examination of variation at different levels of the hierarchy. Most recently, a group of scholars have attempted to address the hierarchical nature of organizational effectiveness in public organizations with hierarchical linear modeling (HLM; Heinrich & Lynn, 1999, 2001a, 2001b; Hill, 2003).

Although HLM addresses the hierarchical relationship, it is limited in its ability to estimate more complex models, especially those involving reciprocal causation or structural equation models (measurement models). To demonstrate some of these problems, let us take, for example, a nonprofit organization that among other human services is providing early care and education services for 3- and 4-year-olds. One measure of the outcomes of these particular programs would be the quality of the services being provided in the classroom, with classroom quality being a composite measure of multiple indicators of quality. So, for example, one significant problem with HLM is that it does not allow researchers to create nonadditive measurement models of multiple indicators of early education classroom quality across different

dimensions, including but not limited to space and furnishings, personal care routines, language-reasoning, activities, interaction, and program structure (Scarr, Eisenberg, & Deater-Deckard, 1994). Instead, in HLM a single composite for each dimension of program quality would be included in the model, or an overall composite measure of classroom quality encompassing all dimensions would be included in the model.

Multilevel structural equation models, however, combine the full strength of SEM with multilevel or hierarchical modeling because they allow for estimation of multilevel path analysis wherein within-group-level parameters are modeled as a function of between-group variables following their own path models (for a thorough discussion of the methods and estimation, see Kaplan & Elliott, 1997). Unlike HLM, multilevel SEM also addresses the problem of measurement error in the variables; that is, it ignores "that many of the variable are themselves related directly and/or indirectly to desired outcomes and that the endogenous outcomes may be simultaneously related to each other" (Kaplan & Elliott, 1997, p. 6). This approach is particularly useful for analyzing data from complex research designs where data are collected from different units of analysis within the hierarchical structure. For example, in doing research in an educational setting similar to the one mentioned in the previous paragraph, one may collect data at multiple levels—from clients (students and parents), classrooms, and schools (centers and organizations). Students are nested within classrooms and classrooms are nested within schools or nonprofit organizations, requiring the modeling of these different levels of the hierarchical structure in order to capture a comprehensive picture of organizational effectiveness.

Again, for example, scholars examining early care and education programs delivered by nonprofit human service organizations, seeking to examine the provided framework for organizational effectiveness provided in this article, would need to collect data at multiple levels in order to develop the most complete picture of organizational effectiveness: at the organizational level, site level (sometimes the same as the organization), employee, classroom, and client level (child or parent). For management outcomes, scholars generally would focus on examining two levels of analysis—organizational and employee. Program measures focused on studying these early care and education programs would be collected at the client level, such as child outcomes (cognitive and social skills) and client satisfaction. Once scholars have measured each concept adequately (conceptually and statistically), they can then examine the relationship between management outcomes and program outcomes, controlling for other factors that might influence each.

As argued earlier, SEM provides many advantages. First, it enables researchers to measure latent variables, such as program and management outcomes, using multiple indicators. Alternatively, a study could use additive indices or include large numbers of independent variables in its estimation equations. This is of particular concern when one's sample size is limited. Second, researchers can estimate models using both latent variables and

observed variables, such as board and staff characteristics, and examine the relationships between them. Third, SEM allows researchers to determine the percentage of a dependent variable that is explained at each level. For example, we may find that 30% of the variance in program outcomes is explained at the site level and 20% is explained at the employee level. This information may prove invaluable when considering organizational and programmatic changes and their impacts.

SEM allows for a more in-depth examination of the phenomenon of organizational effectiveness. In studying nonprofit organizations and their characteristics, both conceptual models need to be more comprehensive and methodological tools need to be more sophisticated. Organizations are complex entities; to fully capture their realities, the field should use methods that tap and address those complexities.

A NOTE ON THE IMPLEMENTATION OF THIS MODEL

A complex conceptual model requires a purposeful data collection strategy to help address design and logistical issues or challenges that may arise. This section addresses briefly some ways to manage these challenges in order to use the proposed model to its full potential. First, when implementing this model, researchers will need to grapple with the sampling frame; although generally random sampling is ideal, putting together a population of nonprofit organizations in a selected location from which to randomly sample may prove to be both theoretically and practically prohibitive. Therefore, this article recommends that scholars consider nonrandom sampling methods that may allow for a clearly defined sample of organizations along particular criteria, such as purposive sampling or sampling for heterogeneity or homogeneity (Tashakkori & Teddlie, 1998). For example, organizations could be selected along particular traits such as size or subgroup of the nonprofit sector, such as health or arts, or based on the nature of the organization itself, such as community action organizations. Accordingly, as the model also calls for examining the programs within organizations, and organizations may operate many programs, a program sampling strategy should also be developed. One such strategy is to select the three largest programs in an organization based on revenue share of the total operating budget to examine.

In addition, as mentioned earlier, to implement this model scholars will have to tailor their instruments and data collection methods to the particular organization. One way to accomplish this may be to conduct a brief telephone interview with the executive director of the selected organizations in order to gain the appropriate information to adjust the instruments for particular programs. Ultimately, program outcome measures will need to be standardized for comparison within and across organizations. Moreover, this interview could be used to develop a dissemination strategy of the instruments with the

executive director to ensure that appropriate respondents receive and complete the instruments.

Finally, with such a sample, scholars should develop a method for encouraging the participation of these nonprofit organizations. One such way may be to incorporate a method of information sharing or feedback to enable the organizations to use the information to benchmark themselves for future performance improvement. Scholars could provide the participating organizations with summary measures of the sample or access to the raw data for their particular organization.

CONCLUSION

This article addresses the challenge of assessing nonprofit organizational effectiveness by proposing a model that is founded on five principles. In detailing these principles, we are in agreement with Herman's (1990) observation that "methodological issues are inevitably bound up with theoretical and paradigmatic issues" (p. 304). Given the complexity of the topic, organizational effectiveness should be conceived of and modeled as a multilevel, multidimensional, and structurally integrated concept. Multilevel SEM technique offers the potential to move beyond simple linear examinations of effectiveness and its determinants to a better understanding of the complicated interrelationships between possible endogenous and exogenous variables.

A model of organizational effectiveness will be most effective to scholars and practitioners when it reflects an understanding of effectiveness as multidimensional, integrated, and at least partially socially constructed. The model proposed in this article is structured yet flexible, and it can be reproduced across organizations, across programs, and over time. It distinguishes between management effectiveness and program effectiveness and the interrelationship between the two dimensions of effectiveness. MIMNOE should provide scholars with some additional illumination into the complicated endeavor of assessing nonprofit organizational effectiveness.

Notes

1. Scholars often use the concepts *organizational performance* and *organizational effectiveness* interchangeably, in general not clarifying whether there exists a conceptual difference between the terms. We have selected organizational effectiveness to refer to the overall performance of an organization based on its prevalence of usage in the nonprofit literature.

2. It is important to note that with presentation of a new model, it is often argued that there may be other models that are equally viable. In this article, we are not arguing that our model exists as the sole framework on which to measure nonprofit organizational effectiveness. We believe, however, it is a useful way of viewing nonprofit organizational effectiveness that contributes to the academic debate surrounding this topic.

3. Although some might argue that there are no objective measures, we distinguish the measures based on observation of the actual presence or absence of process and structure as objective and the measures based on staff perceptions or beliefs of these factors as perceptual.

4. In addition, we do not include measures of all possible external stakeholder perceptions in our model; the only external stakeholders we are including are the clients of the organization. As demonstrated by Herman and Renz (1997), stakeholders often have very different perceptions than the perceptions of the employees and clients of an organization as to what constitutes both effective practice and effective outcomes. Therefore, due to the different values that are often operating with stakeholder assessments of organizational effectiveness in comparison to the values operating within the organization itself and within the client groups that the organization serves, we believe that it is most useful to view stakeholder assessment of organizational effectiveness as a separate process that should be treated apart from an assessment of effectiveness based on the management and program operations of an organization.

5. Determining which are the best indicators to select is an almost impossible task to perfect, as there are numerous measures that have been argued to be important for assessing effectiveness. Campbell (1977), in an early examination of this topic, specified 30 different variables that had been used as indices of effectiveness.

References

Ammar, S., Duncombe, W. D., Hou, Y., Jump, B., & Wright, R. (2001). Using fuzzy rule-based systems to evaluate overall financial performance of governments: An enhancement of the bond rating process. *Public Budgeting and Finance*, *21*, 91-110.

Argyris, C. (1964). *Integrating the individual and the organization*. New York: John Wiley.

Arum, R. (1996). Do private schools force public schools to compete? *American Sociological Review*, *61*, 29-46.

Au, C. (1996). Rethinking organizational effectiveness: Theoretical and methodological issues in the study of organizational effectiveness for social welfare organizations. *Administration in Social Work*, *20*, 1-21.

Bennis, W. G. (1966). *Changing organizations: Essays on the development and evolution of human organizations*. New York: McGraw-Hill.

Boschken, H. L. (1994). Organizational performance and multiple constituencies. *Public Administration Review*, *54*, 308-312.

Cameron, K. (1978). Assessing organizational effectiveness in institutions of higher education. *Administrative Science Quarterly*, *23*, 604-632.

Cameron, K. (1981). Domains of organizational effectiveness in colleges and universities. *Academy of Management Journal*, *24*, 25-47.

Cameron, K. (1982). The relationship between faculty unionism and organizational effectiveness. *Academy of Management Journal*, *25*, 6-24.

Cameron, K., & Whetten, D. (Eds.). (1983). *Organizational effectiveness: A comparison of multiple models*. New York: Academic Press.

Campbell, J. P. (1977). On the nature of organizational effectiveness. In P. S. Goodman, J. M. Pennings, & Associates (Eds.), *New perspectives on organizational effectiveness*. (pp. 13-55). San Francisco: Jossey-Bass.

Cascio, W. F. (1982). *Costing human resources: The financial impact of behavior in organizations*. Boston: Kent.

Chalos, P., & Cherian, J. (1995). An application of data envelopment analysis to public sector performance management and accountability. *Journal of Accounting and Public Policy*, *14*, 143-160.

Connolly, T., Conlon, E., & Deutsch, S. (1980). Organizational effectiveness: A multiple-constituency approach. *Academy of Management Review*, *5*, 211-217.

D'Aunno, T. (1992). The effectiveness of human service organizations: A comparison of the models. In Y. Hasenfeld (Ed.), *Human services as complex organizations* (pp. 341-361). Newbury Park, CA: Sage.

D'Aunno, T., Sutton, R. I., & Price, R. H. (1991). Isomorphism and external support in conflicting institutional environments: A study of drug abuse treatment units. *Academy of Management Journal*, *34*, 636-661.

Davidson, L. (1998). Measure what you bring to the bottom line. *Workforce*, *77*, 34-40.

Delery, J. E., & Doty, D. H. (1996). Modes of theorizing in strategic human resource management: Tests of universalistic, contingency, and configuration performance predictions. *Academy of Management Journal*, *39*, 802-836.

DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review, 48*, 147-160.

Etzioni, A. A. (1964). *Modern organizations*. Englewood Cliffs, NJ: Prentice Hall.

Ferguson, R. F. (1991). Paying for public education: New evidence on how and why money matters. *Harvard Journal of Legislation*, *28*, 465-498.

Fitz-enz, J. (1994). HR's new score card. *Personnel Journal*, *73*, 84-87.

Forbes, D. P. (1998). Measuring the unmeasurable: Empirical studies of nonprofit organization effectiveness from 1977-1997. *Nonprofit and Voluntary Sector Quarterly*, *27*, 183-202.

Goodman, P. S., Atkins, R. S., & Schoorman, F. D. (1983). On the demise of organizational effectiveness studies. In K. Cameron & D. Whetten (Eds.), *Organizational effectiveness: A comparison of multiple models* (pp. 163-183). New York: Academic Press.

Goodman, P. S., Pennings, J. M., & Associates (Eds). (1977). *New perspectives on organizational effectiveness*. San Francisco: Jossey-Bass.

Gronbjerg, K. A. (1993). *Understanding nonprofit funding: Managing revenues in social services and community development organizations*. San Francisco: Jossey-Bass.

Hall, R. H. (1999). *Organizations: Structures, processes, and outcomes* (7th ed). Upper Saddle River, NJ: Prentice Hall.

Hannan, M. T., & Freeman, J. (1977). Obstacles to comparative studies. In P. S. Goodman, J. M. Pennings & Associates. *New perspectives on organizational effectiveness* (pp. 106-131). San Francisco: Jossey-Bass.

Hasenfeld, Y. (1983). *Human service organizations*. Englewood Cliffs, NJ: Prentice Hall.

Hasenfeld, Y., & Weaver, D. (1996). Enforcement, compliance, and disputes in welfare-to-work programs. *Social Service Review*, *70*, 235-256.

Heinrich, C. J. (1999). Do government bureaucrats make effective use of performance management information? *Journal of Public Administration Research and Theory*, *9*, 363-394.

Heinrich, C. J., & Lynn, L. E., Jr. (1999, April). *Governance and program performance: Empirical results from the job training and partnership act (JTPA)*. Paper presented at Workshop on Models and Methods for the Empirical Study of Governance, University of Arizona, Tucson.

Heinrich, C. J., & Lynn, L. E., Jr. (2001a, October). Improving the organization, management, and outcomes of substance abuse treatment programs. Paper presented at the 6th National Public Management Research Conference, Bloomington, IN.

Heinrich, C. J., & Lynn, L. E., Jr. (2001b). Means and ends: A comparative study of empirical methods for investigating governance and performance. *Journal of Public Administration Research and Theory*, *11*, 109-138.

Herman, R. D. (1990). Methodological issues in studying the effectiveness of nongovernmental and nonprofit organizations. *Nonprofit and Voluntary Sector Quarterly*, *19*, 293-306.

Herman, R. D., & Renz, D. O. (1997). Multiple constituencies and the social construction of nonprofit organizational effectiveness. *Nonprofit and Voluntary Sector Quarterly*, *26*, 185-206.

Herman, R. D., & Renz, D. O. (1998). Nonprofit organizational effectiveness: Contrasts between especially effective and less effective organizations. *Nonprofit Management and Leadership*, *9*, 23-38.

Herman, R. D., & Renz, D. O. (1999). Theses on nonprofit organizational effectiveness. *Nonprofit and Voluntary Sector Quarterly*, *28*, 107-126.

Hill, C. J. (2003). *Impacts, outcomes, and management in welfare-to-work programs*. Unpublished working paper, Georgetown University, Washington, DC.

Ingraham, P. W., & Donahue, A. K. (2000a). Dissecting the black box revisited: Characterizing government management capacity. In C. J. Heinrich & L. E. Lynn, Jr. (Eds.), *Governance and performance: New perspectives* (pp. 292-318). Washington, DC: Georgetown University Press.

Ingraham, P. W., & Donahue, A. K. (2000b). Dissecting the black box: Toward a model and measures of government management performance. In J. Brudney, L. O'Toole, Jr., & H. G. Rainey, (Eds.), *Advancing public management: New developments in theory, methods, and practice* (pp. 235-252). Washington, DC: Georgetown University Press.

Ingraham, P. W., & Moynihan, D. P. (2001). Beyond measurement: Measuring for results in state government. In D. Forsythe (Ed.), *Quicker, better, cheaper? Managing performance in American government* (pp. 309-335). Albany, NY: Rockefeller Institute Press.

Jreisat, J. E. (1991). The organizational perspective in comparative and development administration. In A. Farazmand (Ed.), *Handbook of comparative and development public administration* (pp. 15-23). New York: Marcel Dekkar.

Kanter, R. M., & Summers, D. V. (1987). Doing well while doing good: Dilemmas of performance measurement in nonprofit organizations and the need for a multiple constituency approach. In W. W. Powell (Ed), *The nonprofit sector: A research handbook* (pp. 154-166). New Haven, CT: Yale University Press.

Kaplan, D., & Elliott, P. R. (1997). A didactic example of multilevel structural equation modeling applicable to the study of organizations. *Structural Equation Modeling*, *4*, 1-24.

Keeley, M. (1978). A social justice approach to organizational evaluation. *Administrative Science Quarterly*, *22*, 272-292.

Kushner, R. J., & Poole, P. P. (1996). Exploring structure-effectiveness relationships in nonprofit arts organizations. *Nonprofit Management and Leadership*, *7*, 119-136.

Letts, C. W., Ryan, W. P., & Grossman, A. (1999). *High performance nonprofit organizations: Managing upstream for greater impact*. New York: John Wiley.

Likert, R. (1967). *The human organization*. New York: McGraw-Hill.

Lin, A. C. (2000). *Reform in the making: The implementation of social policy in prison*. Princeton, NJ: Princeton University Press.

Markowich, M. M. (1995). HR's leadership in the third wave era. *HRMagazine*, *40*, 92.

Martinez, M. N. (1996). 3 strategies for successful business partners. *HRMagazine*, *41*, S1.

Meyer, J. W., & Rowan, B. (1977). Institutionalized organizations: Formal structure and myth and ceremony. *American Journal of Sociology*, *87*, 340-363.

Miles, R. H. (1980). *Macro-organizational behavior*. Santa Monica, CA: Goodyear.

Ostrander, S. A., & Schervish, P. G. (1990). Giving and getting: Philanthropy as a social relation. In J. VanTil (Ed.), *Critical issues in American philanthropy* (pp. 67-98). San Francisco: Jossey-Bass.

Ostroff, C., & Schmitt, N. (1993). Configurations of organizational effectiveness and efficiency. *Academy of Management Journal*, *36*, 1345-1361.

Pfeffer, J. (1982). *Organizations and organization theory*. Boston: Pittman.

Phillips, J. J. (1996). *Accountability in human resource management*. Houston, TX: Gulf Publishing.

Price, J. L. (1972). The study of organizational effectiveness. *Sociological Quarterly*, *13*, 3-15.

Price J. L. (1977). *The study of turnover*. Ames: Iowa State University Press.

Quinn, R. E., & Rohrbaugh, J. (1981). A competing values approach to organizational effectiveness. *Public Productivity Review*, *2*, 122-140.

Quinn, R. E., & Rohrbaugh, J. (1983). A spatial model of effectiveness criteria: Towards a competing values approach to organizational analysis. *Management Science*, *29*, 363-377.

Rainey, H. G. (1997). *Understanding and managing public organizations* (2nd ed.). San Francisco: Jossey-Bass.

Rainey, H. G., & Steinbauer, P. (1999). Galloping elephants: Developing elements of a theory of effective government organizations. *Journal of Public Administration Research and Theory*, *9*, 1-32.

Rojas, R. R. (2000). A review of models for measuring organizational effectiveness among for-profit and nonprofit organizations. *Nonprofit Management and Leadership*, *11*, 97-104.

Salamon, L. M. (1997). *Holding the center: America's nonprofit sector at the crossroads*. New York: Nathan Cummings Foundation.

Sandfort, J. (1999). The structural impediments to human service collaboration: Examining welfare reform at the front lines. *Social Service Review*, *73*, 314-339.

Sandfort, J. (2000). Moving beyond discretion and outcomes: Examining public management from the front lines of the welfare system. *Journal of Public Administration Research and Theory*, *10*, 729-756.

Scarr, S. M., Eisenberg, M., & Deater-Deckard, K. (1994). Measurement of quality in child care centers. *Early Childhood Research Quarterly*, *9*, 131-151.

Scott, W. R. (1977). Effectiveness of organizational effectiveness studies. In P. S. Goodman, J. M. Pennings, & Associates (Eds.), *New perspectives on organizational effectiveness* (pp. 63-95). San Francisco: Jossey-Bass.

Scott, W. R. (1995). *Institutions and organizations.* Thousand Oaks, CA: Sage.

Scott, W. R. (1998). *Organizations: Rational, natural, and open systems* (4th ed.). Upper Saddle River, NJ: Prentice Hall.

Seashore, S. E., & Yuchtman, E. (1967). Factorial analysis of organizational performance. *Administrative Science Quarterly*, *12*, 377-395.

Selden, S. C., & Moynihan, D. P. (2000). A model of voluntary turnover in state government. *Review of Public Personal Administration*, *20*, 63-75.

Steers, R. M. (1975). Problems in the measures of organizational effectiveness. *Administrative Science Quarterly*, *20*, 546-558.

Stone, M. M., Bigelow, B., & Crittenden, W. (1999). Research on strategic management in nonprofit organizations: Synthesis, analysis, and future directions. *Administration & Society*, *31*, 378-423.

Tashakkori, A., & Teddlie, C. (1998). *Mixed methodology: Combining qualitative and quantitative approaches.* Thousand Oaks, CA: Sage.

Ulrich, D. (1997). Measuring human resources: An overview of practice and a prescription for results. *Human Resource Management*, *36*, 303-320.

Weick, K. E. (1995). *Sensemaking in organizations*. Thousand Oaks, CA: Sage.

Zammuto, R. (1984). *Assessing organizational effectiveness: Systems change, adaptation, and strategy*. Albany: University of New York Press.

Jessica E. Sowa is an assistant professor in the Department of Political Science at the University of South Carolina. She teaches nonprofit management and organization theory in the master of public administration program. Her current research focuses on interorganizational relationships used to deliver public services.

Sally Coleman Selden is an associate professor of management in the School of Business and Economics at Lynchburg College. Dr. Selden's articles have appeared in Administration & Society, American Journal of Political Science, Journal of Public Administration Research and Theory, Public Administration Review, *and* Review of Public Personnel Administration. *Her current research focuses on assessing human resource management systems in public and nonprofit organizations.*

Jodi R. Sandfort is the director of the Minneapolis-based McKnight Foundation's Children and Families Program, where she works on organizational development, program evaluation, and programming related to early childhood education and family economic well-being. Dr. Sandfort also is an associate professor at the Humphrey Institute of Public Affairs at the University of Minnesota. Her research, teaching, and practice focus on improving the implementation of social policy, particularly those policies designed to support low-income children and their families.