

EFFECTIVENESS OF NONPROFIT ORGANISATIONS

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1. INTRODUCTION

Nonprofit organisations (NPOs) are increasingly demanded from time to time to demonstrate their effectiveness (Carman, 2010; Ebrahim & Rangan, 2010; Popa, 2014). There is no specific definition of organizational effectiveness. Various scholars in this field also have different perspectives in defining nonprofit organisations (NPOs) effectiveness. Organisational effectiveness is the extent to which an organisation has met its stated goals and objectives and how well it performed in the process (Porbeni, 2016; Wadongo, 2014; Yankey & McClellan, 2003). Other scholars defined effectiveness as operational effectiveness, integrity, social responsibility, and success (Walsh & Lenihan, 2006). Initially, organisational effectiveness is a part of organisational performance (Lee & Choi, 2003; Mohd Noor, 2017). In addition, organisational effectiveness is also subjective on what the organization thinks about effectiveness. When the conceptualization of an organisation changes, this also will change the definition of effectiveness, the characteristics used in measuring its effectiveness, and the theory or framework that explains it (Cameron, 2014). As being non-profit-oriented, the effectiveness of NPOs cannot be solely based on financial performance. NPOs must pay attention to the effectiveness of the organisation as it ensures its survival. In this paper, the different approach of organizational effectiveness is explained and the most compatible approach to be used by NPOs is highlighted. These four approaches are being selected as according to Balduck and Buelens (2008), the fundamental of effectiveness in organizations revolves around them which are goal approach, system resource, internal process, and strategic constituency and based on four-criteria model was developed by Cameron (1980 & 1986). These elements are those that define how well an organization performs in the field and the elements balance all important aspects needed for the survival of the organization (Lecy, Schmitz, & Swedlund, 2012; Liket & Maas, 2015). These approaches are prominent in this field and have been studied extensively (Balduck & Buelens, 2008; Cameron, 2014; Connolly, Conlon, & Deutsch, 1980; Forbes, 1998; Moxham, 2014; Papadimitriou et al., 2007) and some of their elements are being applied in the multi-dimensional approach that has been agreed by many scholars (Ashraf & Abd Kadir, 2012; Lecy et al., 2012; Liket & Maas, 2015; Moxham, 2014; Wadongo, 2014).

2. DIFFERENT APPROACHES OF ORGANISATIONAL EFFECTIVENESS

Effectiveness is one of the important elements in the public sector, private sector as well as third, sector mainly in NPOs. This paper provides four (4) basic approaches the organizational approaches as detailed out below.

2.1 Goal Attainment Approach

The first approach of organisational effectiveness is the goal attainment approach. The goal method is based on Pfeffer's (1982) purposive-rational approach and Elmore's (1978) controlled systems notion, which is the most fundamental model of effectiveness and the foundation for many subsequent models. This theory is founded on the common-sense notion that all organizations have goals that serve as the criterion for measuring success (Ashraf & Abd Kadir, 2012). The goal attainment approach is predicated on a few fundamental assumptions. Firstly, all the members must agree on the precise goals, and everyone should feel committed to achieving them. In addition, the number of goals is restricted, and accomplishing them necessitates the use of certain essential resources (Ashraf & Abd. Kadir, 2012; Robbins, 2003). The accurate and unambiguous measurement of results illustrates the decreased relevance of the goal-based method for evaluating the success of research organisations and academic establishments, however, in reality, it is critical for the clarity of the goals and output measurements (Ashraf & Abd Kadir, 2012). Only when these requirements are satisfied is the goal model appropriate (Ashraf & Abd Kadir, 2012; Lecy et al., 2012). Besides, goals, for example, can be viewed as abstract (Scott, 2013) and political because they represent agreed principles and expectations (Liket & Maas, 2015; Moxham, 2014). Yet, this approach has been used by many organisations and become the choice in evaluating and measuring their effectiveness.

2.2 System Resource Approach

This theory defines effectiveness as an organization's capacity to exploit its surroundings, allowing it to get limited and valuable resources (Kronosky Foundation Charitable, 2007; Yuchtman & Seashore, 1967). The use of system resources can be effective if there is a clear link between the resources that an organisation gets and the commodities or services that it generates (Ashraf & Abd Kadir, 2012; Sharma & Singh, 2019). This approach encourages leaders to see the company not just as a whole, but also as a component of a broader group (Ashraf & Abd Kadir, 2012; Mullins, 2008). This viewpoint assigns effectiveness to organisations that have low performance or productivity if they can acquire the required resources (Sharma, 2021). In addition, it is assumed that the organisation is made up of interconnected subsystems. If any subsystem performs inefficiently, it will have an impact on the whole system's performance (Universal Teacher, 2021). Scholars use a system resource approach to avoid the issue of objectively establishing real impact as a measure of growth toward specific missions and instead focus on the organisational sustainability component of effectiveness (Lecy et al., 2012). This approach highlights the relationship of the organisation with its external environment and the dependency of the resource towards it.

2.3 Process Approach

This approach focuses on the transformation process and is concerned with determining the extent to which resources are formally employed to provide services or create commodities (Ashraf & Abd Kadir, 2012; Schermerhorn, Hunt, Osborn & Osborn, 2004). In addition, this approach also defines effectiveness as the capacity to improve internal efficiency, coordination, commitment, and employee satisfaction. This method evaluates effort rather than the achieved outcome (Universal Teacher, 2021). It is indicated that organisation is effective when the organisation is internally healthy and efficient, with well-oiled internal procedures and practices (Ashraf & Abd Kadir, 2012; Lecy et al., 2012). The members are fully integrated into

the system, and the system itself runs well. The members' connection is built on trust, honesty, and goodwill (Ashraf & Abd Kadir, 2012; Kearns, Livingston, Scherer, & McShane, 2015). This approach accentuates the smooth operation and process in the organisation and focuses on the positive relationship with the staff and employees of the organisation.

2.4 Strategic Constituencies Approach

It is concerned with the organisation's impact on the primary stakeholders and their interests (Ashraf & Abd Kadir, 2012; Kronsosky Foundation Charitable, 2007; Schermerhorn et al., 2004). According to this viewpoint, effectiveness is defined as the minimal satisfaction of all the organisation's strategic constituents. All persons who are in some way related to the organisation are included in the strategic constituency (Ashraf & Abd Kadir, 2012; Lecy et al., 2012) that may many roles, such as users of the organisation's services or goods, resource suppliers, facilitators of the organisation's output, major supporters, and dependents (Ashraf & Abd Kadir, 2012; Sharma & Singh, 2019). According to this viewpoint, "effectiveness is a portfolio of performance variables evaluated by a portfolio of evaluators" (Kronsosky Foundation Charitable, 2007; Cameron, 2014). As a result, the actual measure of effectiveness is multi-tiered and complicated (Ashraf & Abd Kadir, 2012; Kronsosky Foundation Charitable, 2007). The premise is that companies are effective if they please their consumers, continuously learn, adapt to changing constituency needs, or gain credibility with their audiences (Cameron, 2014). This approach emphasizes the satisfaction of the different stakeholders of the organisation and all the stakeholders are crucial to the organisation. Table 1 shows the summary of all the approaches.

Table 1: Different Approaches of NPOs Effectiveness

APPROACHES OF NPOs EFFECTIVENESS		ADVANTAGES	DISADVANTAGES	LITERATURE
Goal attainment approach	<ul style="list-style-type: none"> Founded on the common-sense notion that all organizations have goals that serve as the criterion for measuring success 	<ul style="list-style-type: none"> The goal is the main basic element in organisation, first to be identified Unique for every organisation 	<ul style="list-style-type: none"> Difficulties with choosing whose goals should be applied Goals are abstract & political 	Bernard, 1938; Cameron, 1981; Latham, 2020; Molnar & Rogers, 1976; Price, 1972; Robbins, 2003; Schermerhorn et al., 2004; Steers & Lee, 2017
System resource approach	<ul style="list-style-type: none"> Organization's capacity to exploit its surroundings, allowing it to get limited and valuable resources 	<ul style="list-style-type: none"> Increases the managers' awareness of the interdependence of organizational activities. Applicable where end goals either are very vague or defy measurement. 	<ul style="list-style-type: none"> Some process variables are specified may not be as easy to quantify In dynamic environments, a certain set of measures may easily become irrelevant, making certain measures less important Focus on the means necessary to achieve effectiveness rather than organizational effectiveness itself. 	Ashraf & Abd Kadir, 2012; Cameron, 1981; Georgopoulos & Tannenbaum, 1957; Lecy et al., 2012; Molnar & Rogers, 1976; Yuchtman & Seashore, 1967
Process approach	<ul style="list-style-type: none"> The capacity to improve internal efficiency, coordination, commitment, and employee satisfaction, focuses more on effort than the outcome 	<ul style="list-style-type: none"> Focus on the result for the whole organisation Determine opportunities for process improvement 	<ul style="list-style-type: none"> Ignored the external relationships and pressures that companies encounter 	Ashraf & Abd Kadir, 2012; Cameron, 1981; Frayne, 2014; Kleijnen, Dolmans, Muijtjens, Willems, & Van Hout, 2009; Lecy et al., 2012; Schermerhorn et al., 2004

Strategic constituencies approach	<ul style="list-style-type: none"> • Satisfaction of all the organisation's strategic constituents 	<ul style="list-style-type: none"> • High rate of responding towards stakeholders' demands • Comprise internal and external environment • Always updated 	<ul style="list-style-type: none"> • Difficult to identify the strategic constituencies. 	Ashraf & Abd Kadir, 2012; Cameron, 1981; Barth, Emrich & Daumann, 2018; Dalton & Dalton, 1988; Lecy et al., 2012; Schermerhorn et al., 2004; Song, & Meier, 2018; Suryani & Foeh, 2019
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3. DISCUSSION

With respect towards the increased demands on NPOs to display their organisational effectiveness, it is crucial to identify which are the best practices for the NPOs. Scholars' attempts to evaluate organisational performance in terms of an "ultimate" measure, a phrase used by Thorndike (1949), by description, would have to be a single sort of measure, which, as previously stated, would not be compatible with the complexity of the organisational effectiveness concept (Cameron & Whetten, 2013). Naturally, such single-type measurements of organisational success have been criticized as being excessively "simplistic," (Sharma & Singh, 2019). The researcher defines NPOs effectiveness as the measurement of how well the NPOs perform in fulfilling the stakeholders' demands in all organisational aspects such as financial and non-financial elements.

It is difficult to determine the best practice regarding organisational effectiveness as there is a lack of empirical studies and mostly rely on conceptual and theoretical works (Lecy et al., 2012; Liket & Maas, 2015). Most scholars suggest that the multi-dimensional approach or hybrid approach is more compatible as it incorporates several elements from the prominent approaches which are goal-attainment approach, system resource approach, process approach, and strategic constituencies approach (Lecy et al., 2012; Liket & Maas, 2015) as no approach can cover all the important elements involved. According to Liket and Maas (2015), multi-dimensional models, such as Quinn and Rohrbaugh's (1983) competing values model, Kaplan's (2001) balanced scorecard, and Ebrahim and Rangan's (2010) contingency model, have been suggested to have considerable utility by Herman and Renz (2008) and Lecy et al. (2012). Lecy, Schmitz, and Swedlund (2012) proposed using four domains to provide a better guide in evaluating effectiveness: managerial, program, network, and legitimacy with each domain is a discrete set of procedures and practices that are loosely attached within the organisation and can be measured separately, allowing for the reduction of the complexity often connected with attempting to assess organizational effectiveness.

Therefore, the researchers agree that the best practice to be implemented in evaluating organisational effectiveness is the multi-dimensional model with the consideration of the preferences and interests of all the stakeholders fairly, which refer to the strategic constituencies approach. The strategic constituencies approach is chosen by the researcher for NPOs effectiveness as it is taken into consideration all the stakeholders that agreed with Sharma and Singh (2019) and by this means, the NPOs will be responded to all of them and it will be balanced in all important aspects including the external environments that according to the nature of the third sector always change and dynamic (Cameron, 2014; Connolly et al., 1980). This approach also has been used in several studies that proved its usefulness in all sectors {Formatting Citation}. In this outlook, the concept of social responsibility is taken into consideration, which suits the nature of NPOs as they serve the beneficiaries which is the society as their main goals (Ashraf & Abd Kadir, 2012; Chen, Dyball, & Harrison, 2019; Morrison, 2016). The NPOs need to identify the determinants or elements to be included and

discuss this thoroughly with all their stakeholders to achieve the same view on this issue and to avoid any conflict.

4. CONCLUSION

In conclusion, the effectiveness of NPOs is very crucial nowadays as it helps the leaders of NPOs to assess performance and identify the parts that needed to be improved in the future to stay relevant in the industry. This element also acts as an indicator for the stakeholder to evaluate their accomplishment to decide whether the NPO is worth it or not to be involved in with their stated purposes. NPOs need to justify which is the best approach to be implemented in their organisation to measure effectiveness as different approaches have different perspectives and methods. The researcher believes that the best approach for NPOs is the strategic constituencies approach as it emphasizes fulfilling the needs and interests of multiple stakeholders as its compatible with NPOs context that must respond to various stakeholders at one time. Therefore, there is no one single perfect measure for organisational effectiveness. This is particularly for NPOs where there are unique characteristics of formation for NPOs that have different specific goals and different stakeholders to be accountable to. NPOs must choose the best approach of effectiveness that is compatible with their organisations.

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