

**RITUAL EFFECTIVENESS FRAMEWORK
FOR NON-PROFIT ORGANISATIONS (NPOs)**



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5. Report

5.1 Proposed Executive Summary

(Original proposal – 300 words) – 1 page only

This study proposes a framework for non-profit organisations (NPOs) ritual effectiveness integrating both the tangible and intangible dimensions: clients' satisfaction, programmes and service's efficiency, increase in clients, programmes and service's quality, and programmes and service's effectiveness. With **strong impetus for accountability**, the **movement toward performance or effectiveness evaluation** has **gained momentum** particularly **in non-profits** as this sector is becoming increasingly important as a result of its continuous growth. There are 44,936 registered non-profit organisations with the Registry of Societies (ROS) as at March 2009. However, for-profit performance indicators are inappropriate to be applied in non-profits, given their multiple services and programs, lack of bottom line motive, and the difficulty of measuring outputs. The motivation behind this study is to establish the **performance framework** for NPOs effectiveness with multiple dimensions. Ritual effectiveness uses both tangible and intangibles effectiveness dimensions in evaluating NPOs effectiveness. This **study will provide the framework for performance (effectiveness) of NPOs** in Malaysia with outside (external) bench marking as a foundation. This framework will **assist the regulatory body, the Registry of Society (ROS)** to regulate NPOs in Malaysia to provide better performance reporting. This is important since effectiveness measures have an impact on the allocation of resources, thus **assist the Welfare Department to allocate the resources** to those high-performance or NPOs.

5.2 Enhanced Executive Summary

(Abstract of the research)

Non-profit organisations (NPOs) effectiveness remains a prominent concern for scholars and practitioners. Although there is no consensus on the best way to measure the effectiveness in NPOs, has become the norm to select financial and non-financial reporting data in evaluating the effectiveness. Excessive proliferation of effectiveness indicators have made effectiveness measures an important part in translating organisational strategy into results, and when externally reported, provided accountability to stakeholders. Based on three case studies of NPOs in Singapore, this study presents deliberation on how to develop a better understanding on the various performance criteria to evaluate the performance of NPOs. With the aim to include non-financial information in relation to efficiency and effectiveness measures, this study establish six non-financial performance indicators known as ritual effectiveness framework for NPOs which include: (i) organisational structure, (ii) clients' satisfaction on programmes or services, (iii) programme and service's efficiency, (iv) increase in clients, (v) programme and service's quality, and (vi) overall programme and service's effectiveness and implementation. The framework can therefore act as a basis for NPOs' reporting in Malaysia. Applying these framework for performance measures, the reporting would be much more comprehensive, transparent and accountable as desired by the stakeholders.

5.3 Introduction

Effectiveness as a measure of organisational success has for decades attracted scholarly attention from across the social sciences. In recent years the issue of effectiveness has taken on additional urgency among practitioners due to more explicit demands for accountability, transparency and financial responsibility (Ebrahim & Rangan, 2010; O' Dwyer & Unerman, 2006). Self-appointed watchdogs, such as Charity Navigator, American Institute of Philanthropy and Singapore National Volunteer & Philanthropy Centre (NVPC), have emerged as important institutions of assessment, evaluating the performance metrics of what have been called or termed non-profit organisations (NPOs) in the public administration literature or non-governmental organisations (NGOs) in the political science and international relations literature (Lecy, Schmitz, & Swedlund, 2011).

The study of NPOs/NGOs effectiveness originally emerged as a subfield of organisational effectiveness. Over the years, it has become fragmented and spread across disciplines, including non-profit studies. Some concerns about effectiveness measurement in NPOs, are different in some very significant ways: They operate for purposes other than earning a profit; their efficiency and effectiveness cannot be determined by means of income measures; and they may receive large amounts of resources from donors who do not expect monetary benefits in return (Razek, Hosch, & Ives, 2000).

The topic of accountability and performance measurement has become a vital issue in NPOs. The difficulty in defining the attributes for the performance is not only confined to the NPOs but to the organisational level as a whole. In the final chapter of the book, Cameron and Whetten (1983) offer two conclusions about organisational effectiveness: (i) "There cannot be one universal model of organisational effectiveness" (pp. 262-267); and (ii) "It is more worthwhile to develop frameworks for assessing effectiveness than to try to develop theories of effectiveness" (pp. 267-269). In the context of international NGOs relations, studies on effectiveness are often within the context of advocacy networks, defining *effectiveness as the ability to mobilise resources and public opinion to influence policy at the national or international level.*" (Lecy et al., 2011, p. 4). On the other hand, the effectiveness studies developed and grew out of an emphasis on economic growth, tools of impact evaluation (IE), monitoring and evaluation (M&E) prevails. Finally, within the context of NPOs literature, a well-established research agenda on effectiveness mirroring the broader research on organisational effectiveness exists.

The important reason that motivates this study is because most accounting research comes from the private and the public sectors but not many on the third sector or the NPOs. The latter is another important sector that contributes to the economy and social development of this country. Statistics in Malaysia in terms of economic growth of these NGOs are limited but the philanthropy in America reported that this independent, voluntary or third sector generated 6.5 per cent of the national income (Gordon & Khumawala, 1999). This study provides a foundation to establish a framework of best practices for NPOs performance criteria based on three case studies of NPOs in Singapore. The recommended performance approach of ritual effectiveness captures both dimensions of tangibles and intangibles measures of effectiveness.