

2004 TROPMAN REPORTS

Applied Research about the Pittsburgh Region's Nonprofit Sector

HIGH PERFORMANCE IN NONPROFIT ORGANIZATIONS *in the Greater Pittsburgh Area*



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- The Frieda Shapira Medal
- Alfred W. Wishart, Jr., Award for Excellence in Nonprofit Management

How do the governance, management, and organizational practices of local nonprofit organizations that are considered to be "outstanding performers" fare when compared with the Standards of Excellence codes?

The *Standards of Excellence* program developed by the Maryland Association of Nonprofit Organizations outlines a pathway to higher nonprofit performance. It is a code of conduct detailing 55 specific standards, addressing everything from board governance and human resources to financial management, fundraising, and information technology. According to Paul Light, a leading expert on nonprofit performance: "These standards describe a nonprofit practically perfect in every way" (Light, 2002, 34).

The Forbes Funds commissioned Marsha Tongel of Consulting Group, Inc., and Claudia Petrescu of Eastern Michigan University to study the practices of high-performance nonprofit organizations based in Pittsburgh, to assess the governance, management, and organizational practices that characterize these high-performing organizations, and to see how they fare compared to the *Standards of Excellence* developed by the Maryland Association of Nonprofit Organizations.

Of note, from among the approximately 2,600 nonprofit organization in the region, just 12 organizations were cited three times or more by local nonprofit executives and grantmakers as "high performing." The pool of organizations highly regarded as well-functioning is small, indeed. Fortunately, this study suggests a roadmap by which all organizations can become higher performing — by mimicking the practices of peer organizations already regarded as high performing.

RESEARCH DESIGN AND METHODOLOGY

A three-tier methodology was used to collect data. The first stage of data collection identified high-performance nonprofit organizations in the greater Pittsburgh area. In stage two, using the Maryland *Standards of Excellence's* codes of conduct, Tongel and Petrescu collected data on the governance, management, and organizational practices of the identified high-performance organizations to compare these organizations' practices with the codes of conduct. In the final research stage, focus groups were conducted to provide a better understanding of the practices employed by those organizations identified as "high performing."

Stage 1: Identification of Pittsburgh's High-Performance Nonprofit Organizations

This study used surveys to identify the high-performing nonprofit organizations in the area. Using a stratified random sampling design and The Forbes Funds' database to draw

the sample, Tongel and Petrescu sent a survey to 408 nonprofit organizations and 21 foundations in the greater Pittsburgh region. The survey asked each of these organizations to nominate up to three high-performing nonprofit organizations and to indicate through a checklist what they thought made these organizations high performers.

In identifying the characteristics of best-performing nonprofits, the “Opinion Leader’s Survey,” developed by the Princeton Survey Research Associates and as presented in Paul Light’s book, *Pathways to Nonprofit Excellence*, was adapted to use in the development of the survey instrument.

With an overall return rate of 22 percent, Stage 1 identified 160 high-performance nonprofit organizations in the greater Pittsburgh region. Twenty-eight of these organizations were nominated more than once (including eight that were nominated four or five times).

Stage 2: Analysis of High Performing Organizations from the Perspective of the Maryland Association of Nonprofit Organizations’ *Standards of Excellence*

The 28 high-performance organizations, which were nominated more than once, were sent a second survey to collect data about their governance, management, and organizational practices. To compare the nominated, high-performance organizations’ practices with the Maryland *Standards of Excellence*, Tongel and Petrescu based this second survey on the Maryland Association of Nonprofit Organization’s Standards and Codes of Conduct; the return rate was 71 percent.

Stage 3: Focus Groups among the High-Performing Organizations

To more deeply understand supposedly good management practices, Tongel and Petrescu invited the 28 organizations regarded as “high performing” by more than one respondent to their initial survey to participate in a focus group. Twelve organizations (43 percent) participated.

FINDINGS

The results of this analysis are divided into two sections: (I) how the Pittsburgh nonprofit community characterizes the high-performing organizations; and (II) how these organizations fare when compared with the *Standards of Excellence*.

I. How the Nonprofit Community Characterizes High-Performance Organizations

From the data collected through initial surveying, Tongel and Petrescu pulled together the following perceptions of what constitutes a high-performing organization in Pittsburgh’s nonprofit community:

- High performers have a distinct mission and a willingness to work hard towards meeting that mission.
- High performers are involved in the community.

- High performers provide diversified, quality services that are relatively stable.
- High performers use sound business practices to govern and run the organization.
- The executive directors of high-performing organizations play a greater role than do the boards of directors in raising the organization to become high performing.
- The executive directors of high-performing organizations give their staff only limited decision-making power.
- High performers have a stable, knowledgeable, and diverse staff and good retention rates.
- For high performers, the availability of resources and a large budget are important, but not vital. A large budget does not automatically make an organization become a high performer.
- High performers value collaboration with other organizations.
- High performers have fundraising capacity and the executive directors of high-performing organizations are good fundraisers.
- High performers have the capacity to grow.
- Informing the public and being active in the community are important traits of high-performing nonprofit organizations.

It is worth noting that an organization’s ability to grow is not considered to be a main characteristic of high-performing organizations, as only 50 percent of the respondents regarded growth as signaling high performance. Interestingly, Light (2002, 81) found that high-performing nonprofit organizations are pressured to grow. Yet, this research found that while organizational growth is important, the Pittsburgh nonprofit community considers that, for high performance, organizational mission and the management of an organization are more important than is growth.

When it comes to risk-taking, the findings of this study also do not concur entirely with Light’s findings. Light found that opinion leaders consider it “Very important that high performing organizations have a leader who encourages risk-taking” (Light, 2002, 93–94). This study suggests that the Pittsburgh nonprofit community does not consider risk-taking a main trait of high performing organizations, in spite of the fact that it sees the encouragement of new ideas as being very important.

II. How Pittsburgh’s “High Performers” Fare According to *Standards of Excellence*

Profile of the Nominated High-Performing Organizations in Pittsburgh

The survey sent to the 28 high-performance organizations collected data about these organizations’ practices vis-à-vis the Maryland *Standards of Excellence*. The data collected from

this survey suggests the following profile for these high-performance organizations:

- Experienced executive leadership (75 percent of executive directors have over 15 years of nonprofit sector experience and 20 percent of them have between 5–14 years of nonprofit experience);
- A high percentage of female executive directors (65 percent);
- Large budgets (65 percent have a budget of \$1–5 million, 20 percent have a budget between \$45–20 million, and 10 percent have a budget of over \$20 million);
- Not a large staff (50 percent have less than 25 full-time employees, 30 percent have between 25–100, and 20 percent have over 200 full-time employees);
- Limited part-time employees (75 percent have less than 25 part-time employees); and
- A high number of volunteers (30 percent have under 100 volunteers, 35 percent have over 500 volunteers).

The survey also included key elements of the Maryland Standards and the identified high-performing organizations were asked to check off their practices with respect to those Standards.

All of high-performing organizations were invited to participate in a focus group to understand better their practices and how they view high performance within a nonprofit organization. The focus groups' discussions were structured around the eight key concepts inherent in the *Standards of Excellence*. Key leadership from 12 of the organizations (43 percent) participated. There were two focus groups conducted on two consecutive days to allow for schedule flexibility.

Practices of High-Performing Organizations: A Comparison to the Maryland Standards of Excellence

The Maryland *Standards of Excellence* set forth eight categories of nonprofit operations: mission and program; governing body; conflict of interest; human resources; financial and legal; openness; fundraising; and public affairs and public policy. When comparing the practices of Pittsburgh's high-performing organizations with these eight main categories, **this study found that most of the Pittsburgh-based high-performing organizations meet the basic *Standards of Excellence* developed by the Maryland Association of Nonprofit Organizations.**

The identified high-performing organizations stated that they use a variety of external standards (program standards, certifications, licenses, including those from national certifying organizations, funders, accreditation, and government regulations), as well as internal standards, to measure performance and to improve their operations. Both survey respondents and focus group participants indicated that high-performing organizations, in general, demonstrate a commitment to excellence and that standards help facilitate that commitment, as well as encourage accountability.

The participants indicated that benchmarks that are provided through standards are essential and help them to do their jobs better, facilitating organizational improvement. When appropriate, some organizations stated that they pick and choose standards that are applicable to their growth needs at the time or create their own standards to facilitate quality and growth. Importantly, as opposed to being ends in themselves, standards were seen as a means to be used for growth and improvement; these directors indicated that standards should not be regarded as static but as adaptable, based on constituents' needs and changes in the community.

A very large majority of the high-performing organizations have a **mission and organizational purposes** that are formally and specifically stated, defined, and approved by the Board of Directors and their organizational activities are in alignment with stated purposes. High performers indicated that stability and clarity of mission is important, especially for program development and funding. A stable mission helps an organization to keep its "essence," remain focused, and maintain an identity within the community; but there is also a need to balance that stability with flexibility so as to respond nimbly to changes.

All of the organizations frequently conduct some type of **evaluation of their purpose**. A large majority of them revisit their mission on a regular basis, using input from staff and clients in order to develop new programs and services, to determine the need for current programs and services, and to keep up with social changes. High-performing organizations continually "work their plan," and many of them tie their strategic goals directly into programs, departmental objectives, and employee performance goals.

With regard to **program evaluation**, these organizations appear to use both qualitative and quantitative procedures to determine the effectiveness of programs and services, evaluate outcomes, strengthen organizational effectiveness, and make programmatic changes. High-performing organizations feel that the real function of program evaluation is to help them make better organizational decisions.

All of the high-performing organizations indicated that they rely on **trustees** who are personally committed to the organization's mission and who serve without compensation. The Board members are selected for broader reasons than their ability to raise funds or access funds. These Boards of Directors tend to be significantly involved in organizational management and financial oversight, but less involved in assuring that the organization has sufficient financial and human resources. The Board of Directors functions as a partner to the Executive and the staff.

A large number of high performers have written **conflict of interest policies** for Board members and staff to prevent actual, potential, or perceived conflicts of interest.

All of the high-performing organizations in Pittsburgh indicated that they have written **personnel policies and procedures** for staff, as well as a system whereby employee performance is evaluated each year.

For high-performance organizations, collaboration (**openness**) is critical in helping their organization carry out its mission and conserve resources. They stressed that effective collaboration should be focused on the services needed by the customers.

All high performers engage in **fundraising** activities and the large majority of them indicate that they raise at least three times the amount in contributions than they invest in fundraising activities.


Additional Findings

Additionally, this study found that high performers see that:

- **Standards** are internalized in everyday practices and **are seen as tools for growth and progress towards excellence.**
- **Organizational and leadership stability** are critical in enabling an organization to perform at an optimum level.
- **Organizational culture** that is principle-based and goal-oriented plays a role in enabling organizations to become high performing.
- **Conflict management** is seen as an important process and that conflict, when managed effectively, can help an organization to grow.
- High-performing organizations understand **change**, manage change, and state that clients' needs are often the thrust for change.

- Organizations that take **risks** all the time will not remain high-performing organizations.
- High-performing organizations are "**learning organizations,**" continually seeking ways to collect information through their planning, evaluation, and the use of standards that will help them to improve and to make sound organizational decisions.
- High-performing organizations have **developed practices that encourage and support a commitment** from Board members, staff, and the community.

CHARGE

Because the operations of Pittsburgh's highly performing organizations align with practices detailed by the *Standards of Excellence*, nonprofit trustees and directors should conduct organizational audits to measure how they fare. As an analysis of the *Standards of Excellence* program showed, "The Standards code provides a consensus model for how the most well-managed and responsibly governed nonprofit organizations should operate" (Maryland Association of Nonprofit Organizations, *Standards of Excellence Impact Analysis*, 2002). Here, then, trustees and directors can and should act. 

IN 2004, THE FORBES FUNDS AWARDED A GRANT TO THE PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS (PANO) — MATCHED BY FUNDING FROM PNC ADVISORS — TO ENGAGE 8–10 LOCAL HUMAN SERVICE ORGANIZATIONS IN THE CERTIFICATION PROCESS TO MEET THE *Standards of Excellence* PROGRAM. THE PARTICIPATING AGENCIES WILL BE EVALUATED BY PANO ACCORDING TO 56 BENCHMARKS (CONCERNING MANAGEMENT AND GOVERNANCE). PANO'S *Standards of Excellence* ARE BASED UPON THE PROGRAM BEGUN IN MARYLAND; PENNSYLVANIA WAS SELECTED AS ONE OF THE FIRST FIVE STATES TO REPLICATE THIS BENCHMARKING INITIATIVE.

TO READ THE FULL TEXT OF THIS STUDY,
LOG ONTO THE FORBES FUNDS WEB SITE
AT WWW.FORBESFUNDS.ORG.