

Exploring Not-for-profit Organisational Effectiveness Measurement: A uniform Capability Assessment for the Social Services Sector.

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Introduction

All not-for-profit (NFP) and non-profit organisations (NPO) seek to serve their target communities and make a positive social impact. NFP organisations (also known as third sector organisations) are defined under the internationally recognised structural operational definition, recommended by Salmon and Anheier (1997), as being ‘non-profit and asset distributing, self-governing, private and non-compulsory, often with volunteer participation’. Given that these organisations receive most of their funds from Governments, and donors, they are expected to demonstrate their effectiveness by achieving their mission of meeting the needs of their customers/clients in an efficient and effective manner (Ebrahim and Rangan, 2010, Saxton and Guo, 2011, Rojas, 2011, and Moxham, 2014).

In Australia, this funding for the NFP sector totalled \$108 billion in 2012/13 (Australian Bureau of Statistics (ABS) 2014). The second largest segment in this sector, after education and research, is the social services segment, which provides a wide range of services, including youth and family services, in home care and disability services, support for the homeless, services to disadvantaged and vulnerable people, child and aged care, foster care, mental health services and support services for those suffering drug and alcohol misuse and also domestic violence. This segment received income of \$19 billion in 2012/13 (ABS, 2014) and is the subject of this research study, which confirmed that more than 60% of these annual funds come from various Government sources.. IBISWorld also estimated that this segment employed some 604,000 paid employees as at 30 th June 2017 along with more than one million volunteers (Social services market -2016/17-IBISWorld).

Accountability issues within the NFP sector

Given its high level of funding from Government sources, the Australian Government requested its Productivity Commission to review the NFP sector in 2010 and found that, while NFP organisations measure inputs and outputs, there were minimal client outcome and social impact measures. The Commission also found this lack of appropriate performance measurement practices inhibited the achievement of optimal client service delivery outcomes (Australian Government’s Productivity Commission, 2010). A later study by the Australian Taxation Office (ATO) found the

overall level of accountability, governance and transparency of this sector was well below the standards maintained in the for-profit and Government sectors (Australian Taxation Office, 2011).

This lack of public accountability and open transparency within the NFP sector has been an ongoing issue for many years. Indeed, public concerns with sub-standard service delivery in this large social services sector were raised in the Australian Government's Productivity Commission's Inquiry into the Care of Older Australians back in 2011. It highlighted the gross lack of adequate and informative performance and governance measures (Australian Government's Productivity Commission's 2011 Inquiry Report). A 2017 review of Australian Aged Care Regulatory Processes identified that, while taxpayers contributed more than 80% of the funds expended by providers of aged care, mainly NFP organisations, there was a complete absence of reliable comparable information about the quality of the service delivery in Australian residential aged care establishments nor any public information available addressing the accountability of these providers for the funds being spent (Carnell and Paterson Review, 2017). Addressing the growing public concern with client care and safety service delivery in aged care residences, the Federal Government established a Royal Commission to look into this serious issue in 2019. The Interim Report, issued in October 2019, revealed that there are many problems associated with client service, the complaints mechanisms, the lack of public information on the performance of providers and an absence of broad performance measures (Royal Commission. Interim Report; Neglect 2019).

This lack of transparency with regard to outcomes accountability and governance information about the quality of social services provided by Australian NFP and for-profit organisations, using predominantly taxpayer funds, is a serious error of omission in public policy.

Sustainability within the NFP sector

The lack of timely accountability, governance and transparency of NFP organisations and charities led the Australian Government to establish the Australian Charities and Not-for-profits Commission (ACNC) in 2012 to oversee organisations in this sector. Currently, the specific legislation applies only to charities, which are required to submit financial data and information about their activities in an annual return to the ACNC (acnc, 2017). Not-for-profit organisations, that do not have charity status, provide only limited data to the ACNC and financial data to ATO as part of their

quarterly Business Activity Statement, which primarily records their GST transactions (acnc,2017).

In 2013, the Australian Government changed the funding model for certain social services by moving away from the method of directing funding to the service providers to a customer directed care funding model. This requires customers, seeking specific social services, to be assessed by the Department of Social Services (DSS) as to the level of services that that person is entitled to and then the funding goes directly to that person, who in turn is required to seek detailed information about the nature and quality of services of various providers before making a decision on which service provider(s) would best suit their needs. This new situation has placed a responsibility on the providers to market their range of services to potential customers in the most appropriate manner.

This change came at a time when the Australian Government was initiating the roll-out of the National Disability Insurance Scheme (NDIS), which entitles those with a disability (whether physical or mental), to seek specialised services to improve their level of well-being. The DSS estimates that once the NDIS has been extended to all parts of Australia, there will be some four million Australians entitled to receive the necessary social services, which will place even greater demand on NFP and for-profit social services organisations (dss, 2017). Indeed, a large quantitative survey by the Australian Institute of Company Directors (AICD) in 2018 into the NFP sector found that this sector continues to face complex and changing regulatory factors, uncertainty in funding, increasing demand for their services, increased competition from for-profit enterprises, a growing stakeholder demand for improved governance practices by board directors, and much greater accountability and transparency (AICD NFP Governance and Performance study-2018).

Given the apparent lack of organisational effectiveness measures within NFP organisations, this research study sought to verify this and create a set of measures, that would provide benefits to their customers and other stakeholders.

Summary of findings

There was widespread consensus by both the groups, that there was a need for a set of well-defined practical organisational effectiveness measures that could be commonly used in the NFP social services sector. Both groups agreed that the adoption of a common set of measures, focused on the three broad measurement areas of outcomes accountability, governance and capacity, would provide a transparent means of demonstrating the accountability of NFP social services organisations to both external

and internal stakeholders. In addition, its adoption would provide management with a means of comparing and contrasting the measures against best practice and also against their peers. It was noted by the Australian Charities and Not-for-profits Commission during the interview process, that whilst it is not really their area to go into the efficiency and effectiveness of NFP organisations, a set of common measures would promote much more transparency and this would fall within one of their objectives of having sustainable NFP organisations.

Contribution to Management Practice

Based on the detailed feedback from the senior executive practitioners and stakeholders, who participated in this study and the literature review, a more specific set of practical measures was developed by the researcher, for each of the dimensions of outcomes accountability, governance and capacity. These measures form the basis of the new NFP Organisational Effectiveness Capability Assessment, which is set out in detail in Appendix 2. The benefits of this Assessment apply both to current/ potential customers and other stakeholders, as well as to the management of the NFP social services organisations.

For customers/clients and other external stakeholders, the benefits of this set of uniform measures are that it clearly demonstrates the overall effectiveness capability of social services provider organisations in a number of key areas, such as (a) the outcomes achieved in terms of improvements in customer well-being, (b) an evaluation of the quality of customer service delivery and the reputation of the provider as seen by customers/clients and carers via an independent third party source, (c) the degree of adherence to board governance practices and (d) the efficiency with which the financial and human resources are being utilised. Apart from portraying these capabilities, the adoption of this Assessment would also benefit potential customers/clients and their carers by enabling them to access vital performance information about each provider via the website of each participating NFP social services organisation. This detailed information, based on such things as customer/client and carer feedback, governance and sustainability, would aid them in deciding which provider(s) they should use for their specific requirements. This is particularly relevant to those potential customers using the new customer directed care funding arrangements, such as those involved in the NDIS programme, as these customers are required to choose the most appropriate provider to satisfy their needs, given their level of Government funding.

For the management and the board members of these NFP social services organisations, a number of specific benefits would result from the adoption of this Assessment of Organisational Effectiveness Capability. Management would complete the Assessment, using both internal and externally sourced data, twice yearly and upload the data to their organisation's website. This would enable them to compare their organisation with best practice. In addition, once this Assessment format has been adopted by the vast majority of the NFP social services organisations across Australia, management would be in a position to benchmark their organisation's performance against their peers on a regular basis. Based on their analysis of the Assessment, management could identify areas for performance improvement and develop appropriate strategies aimed at addressing the deficiencies in their NFP organisation.

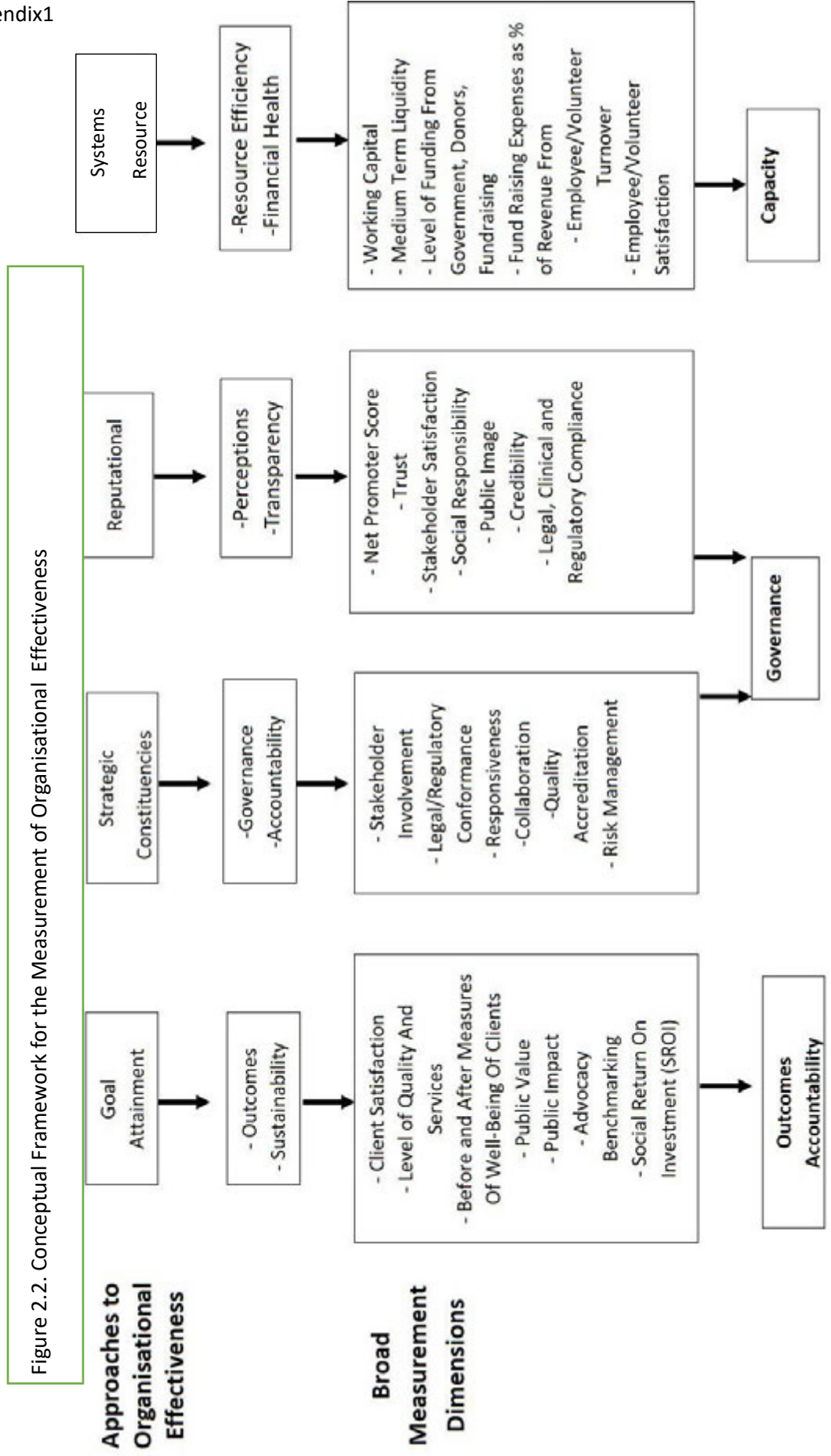
The Assessment of Organisational Effectiveness Capability, detailed in Appendix 2, consists of three sets of measures under the broad dimensions of outcomes accountability, governance and capacity and a final overall performance assessment. There are ten measures within each dimension and management calculates a numerical score for each measure ranging from 0 to 4, depending on their assessment of the organisation's performance for that particular measure. Given that there are 10 separate measures or indicators within each dimension, the total score for each dimension will range from a very low score (i.e. less than 10) up to a maximum of 40. This score is then converted to a star system with a score between 0 and 10 being awarded one star, which represents a poor result. A score between 11 and 20 is a fair result and would receive two stars. A score between 21 and 30, is a good result and would result in 3 stars, while a very good score between 31 and 40 would entitle the organisation to 4 stars.

Further this Assessment format provides the opportunity to notify all stakeholders as to whether the measures have been audited by an independent auditor. During the interview process of this research study, all stakeholders commented that an annual audit of these organisational effectiveness measures by the independent auditor of the NFP organisation, would add to the credibility, reliability and authenticity of the published Assessment.

While this exploratory study has the limitation that it involved a relatively small number of participants, this study benefited from the fact that all the 21 participants were very senior executives operating in the social services sector within the ACT/NSW region. They all had had many years of experience working in this field and as such, their detailed responses and insightful feedback reflected their extensive knowledge of

this sector. This added to the usability and value of their expressed views and in so doing, this enhanced the objectivity of this empirical study.

Finally, this self-imposed Organisational Effectiveness Capability Assessment would demonstrate to relevant Government Departments and agencies, stakeholder groups and donors, that these NFP social services organisations are serious about becoming more accountable and transparent about their activities and that they were adopting a much more customer/client centric approach to their mission delivery.



Appendix 2 (part 1)

ASSESSMENT OF ORGANISATIONAL EFFECTIVENESS CAPABILITY

from _____ to _____

OUTCOMES ACCOUNTABILITY

1. Level of client satisfaction with service delivery via independent survey?

| | | | | |
|----------|------------|------------|------------|------------|
| <50% (0) | 51-59% (1) | 60-69% (2) | 70-84% (3) | 85-100%(4) |
|----------|------------|------------|------------|------------|

2. Level of satisfaction with service delivery assessed by client's carer via independent survey?

| | | | | |
|----------|------------|------------|------------|------------|
| <50% (0) | 51-59% (1) | 60-69% (2) | 70-84% (3) | 85-100%(4) |
|----------|------------|------------|------------|------------|

3. Level of client recommendation of this NFP to potential clients/donors via independent survey?

| | | | | | | | | | | |
|--------------------|---|---|---|---|---|---|---|------------------------|---|----|
| 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Not recommended (0 | | 1 | 2 | | 3 | | | (4) highly recommended | | |

4. Level of client's carer's recommendation of this NFP to potential clients/donors via independent survey

| | | | | | | | | | | |
|--------------------|---|---|---|---|---|---|---|------------------------|---|----|
| 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Not recommended (0 | | 1 | 2 | | 3 | | | (4) highly recommended | | |

5. Documented measures by staff showing changes in client's outcomes/wellbeing over time?

| | | |
|--------|-------------|---------|
| No (0) | In part (2) | Yes (4) |
|--------|-------------|---------|

6. Assessment of changes in client's outcomes/ wellbeing over time done by independent assessor?

| | | |
|--------|-------------|---------|
| No (0) | In part (2) | Yes (4) |
|--------|-------------|---------|

7. Number of complaints from clients as percentage of total no of clients

| | | | | |
|----------|------------|-----------|-----------|----------|
| >40% (0) | 39-20% (1) | 19-11%(2) | 10-6% (3) | < 5% (4) |
|----------|------------|-----------|-----------|----------|

8. Number of complaints from carers as percentage of total no of clients

| | | | | |
|----------|------------|-----------|-----------|----------|
| >40% (0) | 39-20% (1) | 19-11%(2) | 10-6% (3) | < 5% (4) |
|----------|------------|-----------|-----------|----------|

9. Level of satisfaction with the speed of resolution of complaints as judged by clients and carers via independent survey

| | | | | |
|----------|------------|------------|------------|------------|
| <50% (0) | 51-59% (1) | 60-69% (2) | 70-84% (3) | 85-100%(4) |
|----------|------------|------------|------------|------------|

10. How close to client/carers assessment of how the organisation deals with complaints is the company's belief of how they are handled?

| | | | |
|-----------------|-------------------|---------------------|---------------------------|
| Not assessed | Limited reporting | Moderately reported | Similar to clients/carers |
| 0 | 2 | 3 | 4 |
| RESULT | | | |
| 0-10 = * | 11-20 = ** | 21-30 = *** | 31-40 = **** |
| poor | Fair | Good | Very Good |

ASSESSMENT OF ORGANISATIONAL EFFECTIVENESS CAPABILITY

From _____ to _____

GOVERNANCE

1. Have board governance guidelines issued by AICD or ACNC been adopted?

| | | |
|--------|-------------|---------|
| No (0) | In Part (2) | Yes (4) |
|--------|-------------|---------|

2. Is the level of accreditation/compliance with Govt. requirements?

| | | |
|---------|------------|----------|
| Low (0) | Medium (2) | High (4) |
|---------|------------|----------|

3. Is the performance of NFP assessed against annual business and strategic plans

| | | |
|--------|-------------|---------|
| No (0) | In Part (2) | Yes (4) |
|--------|-------------|---------|

4. Are financial statements audited independently?

| | |
|--------|---------|
| No (0) | Yes (4) |
|--------|---------|

5. What is the level of overall conformance to legal & regulatory requirements

| | | |
|---------|------------|----------|
| Low (0) | Medium (2) | High (4) |
|---------|------------|----------|

6. Does the board consist of directors with a wide mix of appropriate skills

| | | |
|--------|-------------|---------|
| No (0) | In Part (2) | Yes (4) |
|--------|-------------|---------|

7. Are the vision, mission and values displayed in the workplace and on the website?

| | |
|--------|---------|
| No (0) | Yes (4) |
|--------|---------|

8. Do board committees exist to?

| | | |
|-----------------------------|--------|---------|
| Oversee finances | No (0) | Yes (1) |
| Risk management | No (0) | Yes (1) |
| Workplace health and safety | No (0) | Yes (1) |
| Community engagement | No (0) | Yes (1) |
| Total | | |

9. Is there a comprehensive risk assessment and risk management process?

| | | |
|--------|-------------|---------|
| No (0) | In Part (2) | Yes (4) |
|--------|-------------|---------|

10. Is there a detailed description of the qualifications and experience of all board directors on the website?

| | |
|--------|---------|
| No (0) | Yes (4) |
|--------|---------|

RESULT

| | | | |
|-----------------|-------------------|--------------------|---------------------|
| 0-10 = * | 11-20 = ** | 21-30 = *** | 31-40 = **** |
| Poor | Fair | Good | Very Good |

ASSESSMENT OF ORGANISATIONAL EFFECTIVENESS CAPABILITY

from _____ to _____

CAPACITY

1. Over the period under review how often did current assets exceed current liabilities based on the calculation at the end of each month?

| | | | |
|------------------|------------|------------|----------|
| <25% of time (1) | 26-50% (2) | 51-75% (3) | >76% (4) |
|------------------|------------|------------|----------|

2. Does the organisation use a cash flow statement to monitor liquidity monthly?

| | |
|--------|---------|
| No (0) | Yes (4) |
|--------|---------|

3. Are financial surpluses greater than 1% of annual revenue?

| | |
|--------|---------|
| No (0) | Yes (4) |
|--------|---------|

4. What was the level of expenditure spent on providing actual service delivery to clients as a percentage of total expenses in the last financial year?

| | | | | | |
|----------|------------|------------|------------|------------|----------|
| <50% (0) | 51-59% (1) | 60-69% (2) | 70-79% (3) | 80-89% (4) | >90% (4) |
|----------|------------|------------|------------|------------|----------|

5. What was the cost of fund raising as a percentage of funds received from fundraising in the period under review?

| | | | | |
|----------|-----------|------------|------------|---------|
| >40% (0) | 40-31%(1) | 30-21% (2) | 20-11% (3) | <10%(4) |
|----------|-----------|------------|------------|---------|

6. Does the organisation have/or is seeking ISO/QIP/other quality assurance accreditation?

| | |
|--------|---------|
| No (0) | Yes (4) |
|--------|---------|

7. What is the level of staff satisfaction with the organisation via a yearly independent survey?

| | | | | |
|----------|------------|------------|------------|------------|
| <50% (0) | 51-59% (1) | 60-69% (2) | 70-84% (3) | 85-100%(4) |
|----------|------------|------------|------------|------------|

8. What is the level of volunteer satisfaction with the organisation via a yearly independent survey?

| | | | | |
|----------|------------|------------|------------|------------|
| <50% (0) | 51-59% (1) | 60-69% (2) | 70-84% (3) | 85-100%(4) |
|----------|------------|------------|------------|------------|

9. Does the organisation respond to concerns expressed by staff and volunteers?

| | | |
|-----------|---------------|-----------------|
| never (0) | sometimes (2) | immediately (4) |
|-----------|---------------|-----------------|

10. Has organisation explored using shared services to reduce costs?

| | | |
|-----------|----------------|-------------|
| never (0) | Considered (2) | Adopted (4) |
|-----------|----------------|-------------|

| RESULTS | | | |
|----------------|-------------------|--------------------|---------------------|
| 0-10 =* | 11-20 = ** | 21-30 = *** | 31-40 = **** |
| Poor | Fair | Good | Very Good |

| OVERALL ORGANISATIONAL EFFECTIVENESS CAPABILITY RESULTS | | |
|---|------------------|-----|
| From _____ to _____ | | |
| Outcomes Accountability | stars | |
| Governance | stars | |
| Capacity | stars | |
| Total Stars | | |
| | 0-3 * Poor | |
| | 4-7* Fair | |
| | 8-10 Good | |
| | 11-12* Very Good | |
| Has the content been independently audited? | NO | YES |
| Name of Auditor | | |
| Areas of improvement achieved since last assessment | | |
| Areas requiring improvement | | |