Abstract

There is a growing demand from Government, donors and other stakeholders for the over 600,000 Australian Not-for-profit (NFP) organisations to demonstrate their effectiveness and efficiency in a more timely and transparent manner. Studies into the NFP sector by the Australian Government Productivity Commission in 2010 and the Australian Tax Office in 2011 showed that there was minimal customer outcome and social impact measurement by Australian NFP organisations and the overall governance and accountability standards of these organisations were well below the standards of those in the For-profit and Government sectors. With most of these organisations receiving over 60% of their revenue from taxpayers and the remainder from donors and fees for service, there is an increasing focus on their accountability and governance practices.

Considerable academic research in the field of organisational effectiveness measurement of Not-for-profit organisations has been conducted over the years in the UK, USA, Europe and Australia, resulting in many conceptual models, however there appears to be limited focus on developing a practical, empirically tested, uniform organisational effectiveness measurement framework.

This exploratory qualitative research study was conducted within the Australian NFP social services segment and it obtained detailed feedback from two groups, namely the CEOs and one director from nine Not-for-profit organisations operating in the ACT and the surrounding NSW region, and the senior executives of ten stakeholder organisations, including the Commonwealth of Australia and the Australian Capital Territory Government Departments of Social Services, the Australian Charities and Not-for-profits Commission and relevant social services advocacy groups. The objective of this research study was to gain an understanding of the key issues facing the NFP social services segment and explore the performance management tools currently being used by these NFP social services organisation to measure their organisational effectiveness capability. A proposed set of organisational effectiveness measures was developed under the broad dimensions of outcomes accountability, governance and capacity and was tested empirically. Following this critical assessment of the value of these organisational effectiveness measures by all respondents, the proposed measures were ranked by all participants in the study in terms of their importance or otherwise. Twenty of the twenty-two capability measures...
were ranked as being between very important or important by all participants. Based on the feedback from participants and the academic literature, a final set of measures was developed to be used in an assessment of organisational effectiveness capability. This set was then adapted into a more customer friendly format with ten performance management questions for each of the organisation’s effectiveness areas of outcomes accountability, governance and capacity. Management, using independently sourced and internal data would score the organisation’s effectiveness for each of the measures. The results would be transformed into a star rating system depicting the overall effectiveness capability of the organisation.

The resultant information would be of great benefit to those customers/clients who will be using the new government customer directed care funding model, such as those involved in the NDIS, as they are now required to make a decision as to which NFP social services organisation would be the most suitable one for them to use. The ability of interested parties to easily access this assessment information would allow them to compare and contrast a number of NFP social services organisations before they need to make a final decision about their provider.

This set of organisational effectiveness measures would regularly be updated and then uploaded electronically onto the various digital platforms of each NFP social services organisation, such as their website. This would provide management with a valuable tool to enable a comparison of their organisation’s performance against best practice and their peers.

This assessment tool would provide a concise evidence based accountability and governance benchmarking tool that would be updated regularly and be available to all stakeholders in a transparent manner. Given the strong endorsement to this proposed set of organisational effectiveness capability measures by both groups of participants, a much larger Australian wide study could be initiated to confirm the components of the organisational effectiveness assessment framework.

Keywords: Not-for-profit organisational effectiveness, outcomes, outcomes accountability, governance, capacity, performance improvement management.
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Certificate of Authorship

I hereby declare that this submission is my own work and to the best of my knowledge and belief, understand that it contains no material previously published or written by another person, nor material which, to a substantial extent, has been accepted for the award of any other degree or diploma at Charles Sturt University or any other educational institution, except where due acknowledgement is made in the thesis. Any contribution made to the research by colleagues with whom I have worked at Charles Sturt University or elsewhere during my candidature is fully acknowledged.

I agree that this thesis be accessible for the purpose of study and research in accordance with normal conditions established by the Executive Director, Library Services, Charles Sturt University or nominee for the care, loan and reproduction of thesis, subject to confidentiality provisions as approved by the University.

Name: John Edward Somerville LAWSON
Signature:

Date 27th March, 2019
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Ethics Protocol

The CSU Ethics Committee approved this work in February 2014 with the protocol number 218/2014/02 issued with respect to this research study.
Chapter I

INTRODUCTION
1.1. INTRODUCTION TO THE RESEARCH TOPIC

The Australian Not-for-Profit (NFP) social services segment of the overall NFP sector consists of organisations that provide services aimed at improving the lifetime well-being of individuals, families, seniors, communities, people with a disability as well as vulnerable and disadvantaged people. It is a large and highly competitive segment and in order for providers to continue their services to people in need and remain sustainable and viable, they need to improve their performance management and governance practices (Australian Institute of Company Directors, 2016). There are growing demands on provider organisations from customers/clients, donors and Government for more accountability concerning the use of their funds (Australian Government Productivity Commission, 2010). This exploratory research study will provide a practical management tool, that could be used to assist these provider organisations improve their organisational effectiveness, and thereby enhance the health and well-being of their clients. It would also provide a timely and transparent means of demonstrating their accountability to their stakeholders, including Government, donors and potential customers.

As part of this study, the term ‘Not-for-profit (NFP)’ has been used to describe those Australian organisations, that use their income and assets to achieve their mission without distributing any surplus to its members. This term is comparable to the term, ‘non-profit organisations (NPO)’, which is used to describe similar types of organisations in the UK, USA and Europe. It should be noted that as two of the nine NFP organisations operated in New South Wales (NSW), which encircles the Australian Capital Territory (ACT), the term ‘ACT and the surrounding region is used to better describe the coverage of those organisations participating in this study.

In the latest data released by the Australian Bureau of Statistics (ABS) on the NFP sector available in 2014, it estimated that the size of the social services segment of the NFP sector, in terms of income received, was $19 billion for the period 2012-2013 and the number of employees stood at 296,000 as at 30th June 2013 (Australian Bureau of Statistics, 2014). The ABS has not provided any updated statistical information on the size of the NFP sector since that report and advice from the ABS states that updating this sector’s data is “not in the ABS’s current work plan”. However, based on estimates by IBIS World, a private Australian statistics organisation, it would appear that the total social services segment, including both for-profit and NFP organisations, continues to grow at a fast pace. IBIS World’s estimate of the total income received by all parts of the Australian social services segment,
including for-profit and NFP organisations, stood at $51 billion for the 2016/17 year, a growth of 7.8% on the previous year. IBIS World estimated that the total number of employees involved in the segment was 604,167 full time equivalents as at 30th June 2017, along with more than 1 million volunteers (IBIS, World, 2017). These estimates show a dramatic increase in the income received over the estimates provided by the Australian Bureau of Statistics in 2012/13. Given that NFP organisations have been the major participants in the total social services segment, these latest IBIS World estimates would seem to indicate a continuing growth in the NFP part of the total social services segment in Australia.

The NFP social services segment receives over 60% of its funding from Australian Government sources however, it also relies on donors, fundraising, fees for service as well as the many volunteers, who help to save employment costs. Following the slowdown in the growth of the Australian economy after the global financial crisis in 2007/08 and the mining boom from 2004 to 2014, Governments have had to scale back many areas of public funding to social services areas and also have decided to outsource some social services to external providers, including NFP organisations. In addition, there has been an increase in the number of people seeking welfare assistance, such as housing support, mental health services and support for those facing different types of abuse.

Added to this is a growing demand on NFP organisations to demonstrate that they are using their funds to achieve the best outcomes for their clients. Given the steady reduction in Government funding to many areas of social services, this has meant that the NFP social services segment has had to address these considerable challenges just to continue their mission. In addition, they have had to deal with increased competition from for-profit and charity organisations and adapt to the imposition of major Government policy changes, such as the new customer directed care funding model and the state by state roll out of the National Disability Insurance Scheme for people with a disability. All these challenges have intensified the pressure on NFP organisations to find ways to gain sufficient funds to continue their various programmes. However, an Australian study of social enterprises by Miles, Verreynne and Luke (2013) showed that, even though these NFP organisations acknowledged a link between having a strong customer focused orientation and strong social performance, few of the NFP organisations were investing in marketing and communication to customers/clients and donors about the beneficial outcomes and effectiveness of their programmes and the need for increased funding. It is apparent
that the measurement of organisational effectiveness and the resultant benefits provided to clients has not been a major priority for NFP organisations in Australia.

This key fact was highlighted by the Australian Government Productivity Commission’s study of the NFP sector in 2010, as it showed that, while NFP organisations measured inputs and outputs, there were minimal client outcome and social impact measures (Australian Government Productivity Commission, 2010). In addition, a study by the Australian Tax Office (ATO) in 2011 revealed that the overall governance and accountability standards of NFP organisations were well below the standards of those in the for-profit and government sectors (ATO, 2011). Further to this, a more recent quantitative survey by the Australian Institute of Company Directors (AICD) of 1500 Australian NFP organisations showed that only 39% used some outcome measures and only 37% achieved specified quality standards (Australian Institute of Company Directors, 2016).


However, as noted by Lecy, Schmitz and Swedland (2012) following their extensive literature review, many researchers had developed various conceptual approaches, however few of these researchers had conducted empirical research to validate their concepts. In addition, Liket and Maas (2015) surmised that most of the
studies on organisational effectiveness have relied on financial measures as the prime indicator of NFP organisational effectiveness.

This exploratory research study has gathered data on the organisational effectiveness measurement practices used by a small sample of Australian NFP social services organisations operating in the ACT and the surrounding region and gained in-depth comments and perceptions from senior executives engaged in these NFP social services organisations. In addition, detailed information has been obtained from senior executives of a number of important stakeholders, including those from the Commonwealth of Australia Department of Social Services, the Australian Charities and Not-for-profit Commission and advocacy groups. It has sought an assessment from all participants to a proposed set of uniform and concise organisational effectiveness measures, that could be used by all NFP social services organisations. This set of measures could be a transparent means of reporting to potential clients and donors and other stakeholders, as to how the NFP organisation is meeting its mission, satisfying customers/clients’ needs and having a positive long-term impact on society. Also, these measures could be used to enable management to identify areas for performance improvement.

It is anticipated that this assessment of overall effectiveness measurement, focused on outcomes accountability, governance and capacity, could be updated and communicated regularly via digital channels (i.e. websites of NFP organisations) to assist potential customers/clients and carers make an informed decision about whether they should seek to use the social services provided by that NFP organisation in the future, and also assist donors and volunteers assess whether that particular NFP organisation deserves their financial and time resources.

1.2. BACKGROUND OF THE AUSTRALIAN NOT-FOR-PROFIT SECTOR

1.2.1. Defining the Not-For-Profit Sector

The not-for-profit (NFP) sector is a very important part of the economic, political and social fabric of the Australian society and indeed of many overseas societies. The researcher, Salamon (2010), defines NFP organisations as non-profit distributing and independent from Government and self-governing, however he notes that the NFP sector has also been described using many other terms, including civil society, social economy, non-profit, charity or the third sector, with the first sector
known for the for-profit organisations and the second sector for the Government (Salamon, 2010).

In order to provide some rigour to the definition of the NFP sector, there needs to be a structured means of providing a statistical measurement for both local and international comparisons. The first international study was undertaken by the John Hopkins University Centre for Civil Society Studies in close consultation with the United Nations Statistical Office (Salamon and Anheier, 1997). The resultant United Nations handbook on Non-Profit institutions in the System of National Accounts identified four alternative NFP definitions, namely, 1) legal, 2) economic and financial, 3) functional and 4) structural-operational. The United Nations Handbook proposed that the structural-operational definition was the most appropriate. This definition identified five sub-elements for determining whether an organisation is or is not in the NFP sector. It must be:

- organised,
- private/institutionally separate from government,
- non-profit distributing,
- self-governing and
- non-compulsory (Lyons, 1998).

Therefore, NFP entities, both in Australia and internationally, can now be easily differentiated from corporations and government institutional enterprises. In addition, based on the Australian Bureau of Statistics’ interpretation of the U.N. Handbook, certain types of organisations have been excluded from the broad definition of the NFP sector in Australia (ABS, 2009). These include:

- mutual organisations in the financial sector, such as credit unions, building societies and insurance companies,
- body corporate entities,
- agricultural marketing boards,
- universities, hospitals and other organisations classified to the government sector.

According to Lyons (1998), the structural-operational definition of the NFP sector has applicability and validity in the Australian context. Lyons viewed NFP
organisations as entities that sustain a democratic political system, and their contribution to society, through their collective actions, plays an important role in the regeneration of social capital (Lyons, 1998). These functional aspects add substance to the five sub-elements of the structural-operational dimensions of the definition outlined above. Putman (2000) endorsed this view in his studies, which showed the elements of social capital, namely interpersonal trust, reciprocity, participation in community groups and the support for democracy, have provided a positive impact on society in general. DiMaggio and Anheier (1990) also noted that from an economic perspective, the non-profit sector exists to provide social goods and services, that the for-profit and public sectors do not have the incentive to provide.

Further, the Australian Tax Office ((ATO) accepts an organisation as an NFP where its memorandum and articles of association state that it will not distribute profits or assets, both while the organisation is operating or when it winds up. The (ATO) stipulates that the income and assets of the NFP organisation shall be applied solely to achieve its mission and objectives and that no portion of its assets, income or surpluses shall be distributed directly or indirectly to the members of the organisation (ATO, 2007). The scope of entities, that are included within the Australian NFP sector, covers:

- Non-distributive co-operative societies
- Companies limited by guarantee under the Corporations Act, 2001
- Incorporated associations or societies under the Associations Incorporation Act, 1985
- Incorporated associations or councils under the Commonwealth Aboriginal Councils and Associations Act, 1976
- Unincorporated entities. (ATO, 2007).

Whilst limited companies are highly regulated, incorporated associations are only lightly regulated. These incorporated associations are registered legal entities, usually for recreation, cultural or charitable purposes, and must have at least five members with all profits being applied to the purposes of the association. In Australia, they need to be registered in each State or Territory. In order to operate nationally, these NFP organisations can incorporate in each State or Territory or become a registered Australian body under the Australian Corporations Act 2001. NFP organisations tend to choose one of the above structures. For statistical purposes, the
Australian Bureau of Statistics (ABS) only includes those NFP organisations that are registered with the Australian Taxation Office for an Australian Business Number. There were 56,894 NFP organisations registered for tax purposes as at 30th June, 2013 (ABS, 2014) and this has grown substantially from 41,088 as at 30th June, 2007 (A.B.S, 2009). The Australian Government Productivity Commission report into the Australian Not-for-profit sector (Australian Government Productivity Commission, 2010) indicated that there were some 600,000 NFP organisations, as at 30th June, 2010, and they were a mixture of groups with differing legal and tax structures, but they were predominantly unincorporated entities.

Most of the 600,000 NFP organisations in Australia are small organisations relying on the voluntary contributions from members. In 2012/13 406,000 NFP organisations were not registered with the ATO, with the remainder being registered. By contrast, there were an estimated 900,000 NFP organisations in the UK in 2011/12 and this included over 161,000 charities. In Canada, there were over 170,000 NFP and charitable organisations in 2012 and, of these, some 85,000 were registered charities (NFP Sector – Australia Centre for Philanthropy and Non-Profit Studies, QUT, 2014). In the case of the 55,000 Australian registered charities, 65% have annual revenue of less than $250,000 with 30% of these involved in religious activities. An estimated three million individuals provided some form of volunteering support to these charities in 2016 (Australian Charities Report, 2018, ACNC). In addition to these charities, there is also a growing number of social enterprises, some of whom refer to themselves as NFP organisations. These organisations focus on providing social outcomes for particular community groups, giving them opportunities to participate in the community and respond to social disadvantage. A research study by Barraket, Mason and Blain (2016), estimated that there are between 15,000 and 20,000 social enterprises in Australia. These social enterprises have a social, culture, economic and/or environmental mission linked to a community benefit and in the main, need to trade goods and/or services to provide the income required to fulfil their mission.

1.2.2. Size of the Australian NFP Sector

The NFP sector contributes significantly to the Australian economy, not only in terms of the income generated, but also through its value-added contribution. The latest data from the Australian Bureau of Statistics estimated that the NFP sector in 2012-13 received $107.5 billion (ABS, 2014) in funding from governments, donors
and corporates and made a value-added contribution to the economy of some $55 billion or 3.9% of G.D.P (ABS, 2014). This sector’s income grew by 40% in the 6 years from 2006/07 to 2012/13, as outlined in Table 1.1. Of the eight segments within the sector, the three segments of education and research, social services and culture and recreation, made up some 60% of the total income received, 65% of the value-added contribution and 70% of the number of employees (ABS, 2014).

The segment with the largest number of organisations as at 30th June 2013 was that of religion (ABS, 2014). However, the largest segment, by both income received and value added contribution, was the educational and research segment. The subject of this research topic was the social services segment, which was the second largest NFP segment in terms of income received of $19.2 billion for the 2012/13 year, up some 64% from $11.7 billion in 2006/07, as shown in Table 1.2.
Table 1.1
Size of Australia’s N.F.P. sector ($billions)

Source: Australian Bureau of Statistics, 2006/07 and 012/13, Australian National Accounts Cat. No 5256.0 2009 and 2014 (NOTE: Official advice from the ABS in August 2017 was that statistical data on this sector has not been updated since 2012/13 and that cat.no. 5256.0 is not in the current work plan)

Table 1.2
Income received by segment within the Australian N. F. P. Sector ($billions)

Later market data from IBISWorld estimates the total Australian social services segment, including for profit and not-for-profit organisations, to be $51 billion for the 2016/17 year (IBISWorld, 2017). This would indicate a continued growth of the income received by all not-for-profit organisations since the 2012/13 estimate by ABS.

The social services segment had a name change to community services in 2008, and in a new ABS study during that 2008 year, it showed that the income received by this segment increased by 42% from $11.7 billion in the 2006-07 to $16.7 billion in 2008-09. Interestingly, whilst the number of NFP organisations in this segment increased by only 1% over those two years, both the income and industry value added contribution rose substantially, up by 43% and 51% respectively, as shown in Table 1.3 below:

<table>
<thead>
<tr>
<th>TABLE 1.3</th>
<th>Not-for-Profit Organisations in Community/Social Services segment</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Social services segment 2006-07</td>
</tr>
<tr>
<td>No of NFP organisations (No)</td>
<td>5,769</td>
</tr>
<tr>
<td>Paid employment (No)</td>
<td>221,549</td>
</tr>
<tr>
<td>No of Volunteers</td>
<td>255,305</td>
</tr>
<tr>
<td>Income generated ($billion)</td>
<td>11.7</td>
</tr>
<tr>
<td>Expenditure ($billion)</td>
<td>10.4</td>
</tr>
<tr>
<td>Industry value added ($billion)</td>
<td>6.7</td>
</tr>
</tbody>
</table>

Sources: 1. Australian Bureau of Statistics 2010 Community Services 2008/9 Cat. No. 8696.0 Canberra
2. Australian Bureau of Statistics 2009 Not-for-Profit Organisations, 2006-7 Cat No 8106.0 Canberra

During 2008-09, some 80% of the spending in the NFP community services segment was in the areas of residential aged care and other residential care and personal and social support. Funds were also spent in the areas of childcare, training of people in need (such as those with a disability), foster care and financial and material
assistance. Whilst the NFP organisations in this segment generated an annual income of $16.7 billion in the 2008-09 year, some 63%, or $10.5 billion of this amount, came from Federal, State and Territory governments (ABS, 2010). That situation was maintained in future years, as evidenced by the 2012-13 ABS survey where the income provided to the community/social services segment by Governments was $11.8 billion, representing 62% of a total of $19.2 billion income (ABS, 2014). It should be noted that the community services name reverted back to social services in 2012/13 and has remained as such, and the range of services provided has remained broadly the same, namely services to communities, families, people with disabilities, seniors and those that are disadvantaged and vulnerable.

According to the economic analysis conducted at the John Hopkins Center for Civil Society Studies in the USA in 2010, the non-profit or third sector is an emerging economic force in society. This economic analysis involved surveying more than 40 countries and it found that the third sector accounts for US$ 2.2 trillion in operating expenditure. In eight wealthy countries, including the USA, Canada, France, Japan and Australia, the third sector represented on average 5% of the country’s Gross Domestic Product. According to Rifkin in his book, the Third Industrial Revolution (2011), the contribution of this sector is exceeding that of many large industries, such as electricity, gas and water and will continue to be a growing force into the future (Rifkin 2011).

1. 2. 3. Contribution of the NFP Sector

The social services segment provided the second largest value-added contribution to the economy of $10.7 billion in 2012/13, up by some 84% from the level achieved some 6 years before in 2006/07 (ABS, 2014). Table 1.4 below shows the value-added contribution of all the segments in the NFP sector.
1. Number of Employees in the NFP Sector

The NFP sector employs large numbers of people as well as engaging with an even larger number of volunteers. Indeed, the John Hopkins Center for Civil Society Studies in 2010 noted that there were some 56 million full time equivalent workers employed in non-profit organisations in the 42 countries that it surveyed. In fact, these workers represented 12.3% of the workforce in Canada, 11% in the UK and 9.2% in the USA (Rifkin 2011).

According to the IBIS data in 2017, there were estimated to be some 604,167 full time equivalent employees involved in the Australian social services segment, including both for-profit and NFP organisations (IBISWorld, 2017). The earlier ABS employment data, as at 30th June 2013 for the NFP social services segment, showed that it was the largest employer of people in the NFP sector with 296,600 full time equivalent staff, an increase of 34% since the previous ABS survey in 2006/07. The social services segment is one that is characterised by a large number of paid personnel as well as an even larger cohort of volunteers. Given that these human resources are the primary providers of the services to people in need, they also constitute the vast

majority of the ongoing monthly costs of NFP organisations. Without the contribution of the many millions of volunteers, many NFP organisations would not be able to offer the range of services that they do. The importance of volunteering to the social services segment was highlighted by Lyons and Hocking (2000), who found that the more highly committed volunteers (i.e. those volunteering for at least 6 hours per week) tended to be found in the social services segment and that most of them were involved in the direct provision of services. Whilst the reliance on volunteers may be regarded by some NFP organisations as a possible incentive not to create paid jobs, research by Baum, Modra, Bush, Cox, Cooke and Potter (1999) found that volunteers were not only motivated by altruism, but also for reasons associated with social interaction, personal growth, skills acquisition and links to the particular NFP organisation and/or charity. Unfortunately, there is no data available from the ABS on the number of volunteers involved in each NFP segment, however the data on paid employees highlights the large number of employees in the NFP social services segment.

Table 1.5 shows that the largest NFP segment with regards to paid employees is the social services segment followed by the education and research segment.
1. 2. 5. Government Review of the Australian NFP Sector

There has been growing pressure on Governments over recent years to demonstrate to taxpayers that they are getting value for the large sums of money being allocated to organisations operating in the NFP sector (Gazley and Brudney, 2007). To gain a better understanding of the issues facing the NFP sector, the Federal Government requested the Australian Government Productivity Commission to review the NFP sector in 2010. In part, their report concluded that “whilst comprehensive data was available in the areas of inputs and outputs, less data was available to the Commission in the areas of client outcomes and the impact on society” (Australian Government Productivity Commission, 2010, p.16). The Commission was of the view that the achievement of optimal client service delivery outcomes was constrained by the lack of performance outcome measures and indicators of the true impact that these organisations have on their clients. Lee (2004) argued that “reporting by non-profit organisations is a source of enhancing sectorial accountability to the general public” (Lee, 2004, p.180). However, in Australia, the NFP sector does not formally report to any entity except to their members and donors, via their annual report, that is issued some 6-9 months after the financial year has concluded.

This lack of timely accountability and transparency concerning organisational effectiveness has become a growing concern for Governments, donors and corporates, which provide most of the funding to these NFP organisations. Indeed, following the release of the Productivity Commission report (Australian Government Productivity Commission, 2010), the Australian Federal Government established the Australian Charities and Not-for-profit Commission (ACNC) in late 2012, as a Department within the Australian Tax Office (ATO), to oversee the charities and NFP sector and to seek information about their mission, activities and financial state. However due to objections and delays to the legislation in Australia’s Federal Parliament, the ACNC currently only has direct oversight of all charities in Australia and acts as the independent national regulator of these charities. It does not have powers to regulate the NFP organisations. However, many NFP organisations include a charity department, which has the responsibility of raising funds and providing tax deductibility on donations. These charity functions are overseen by the ACNC, which requires these entities to formally report relevant financial data regarding income including donations and expenditure. The ACNC does not however have the power to
make judgements, based on the data received, as to whether the funds raised, are being used both efficiently and effectively.

As a result of a comprehensive review in 2015 of competition policy in Australia by the Australian Government’s Harper Policy Review Committee, NFP organisations in the social services sector now face increased competition from for-profit providers. The Committee recommended that there was a need for more user choice and competition in the domain of human and social services however, it was keen not to discourage the NFP providers and volunteers. According to the Committee, this more diverse range of service models would better meet the needs of individuals and the broader community. In addition, the Committee suggested that targets and benchmarks be established by NFP and for-profit organisations based on outcomes, not processes or input measures (Australian Government Competition Policy Review, 2015).

1.2.6. Government Changes to the Social Services Funding Model

Recent Federal legislation has created yet another challenge for the Australian NFP social services segment with changes to the funding model by which those people now receive their social services funding entitlement. This major change was initiated in 2013, when the funding of services changed from a State/Territory based system where providers tendered for the provision of specific services and received funding to a new Federal based consumer directed care approach. This new model or approach has resulted in the funding entitlements for those people in need now going directly to those people (and/or their carer), following an assessment process. They are then responsible for the choice of their social services’ provider(s) and the type of services they receive, based on the funds that are allocated to them. This new consumer directed care approach by the Australian Government has meant that, for the first-time, service providers have had to start marketing their range of services to potential clients and demonstrate to them the real effectiveness and value of their services, in order to bring in new clients and retain their current clients.

This new approach coincided with the introduction of the Federal Government’s new National Disability Insurance Scheme (NDIS), which entitles those people with a disability to directly receive funding for a range of services, following a Government assessment. Those NFP organisations, providing services to people with a disability, have now had to adapt to this new funding entitlement approach. The new National Disability Insurance Scheme (NDIS) started to be implemented in a number
of areas of Australia as a trial in 2014. Since then, this scheme has expanded rapidly as is evidenced in the 2017/18 Federal Government’s Department of Social Services’ budget, which shows a 160% increase in the allocation of funds for services to disability recipients and their carers from an actual 2016/17 spend of $1.7 billion to a budgeted $4.4 billion in 2017/18. By contrast, the allocations to all other parts of this department’s social services portfolio have only increased by 2% from $111.9 billion in 2016/17 to a budget of $113.0 billion in 2017/18 (Commonwealth of Australia Dept. of Social Services Annual Appropriation Bill, 2017/18).

The Government has highlighted recently its concern over whether it is getting value for this large expenditure on the NDIS and so it requested a review of costs by the Productivity Commission in 2017. This recent study by the Australian Government Productivity Commission into NDIS costs has revealed that there were 475,000 participants in the NDIS in 2017 as it began rolling out across the country and that there was a total of 4.3 million Australians, who have claimed to have a disability and may be entitled to the necessary services under this NDIS in the future. The Productivity Commission noted that the integrated NDIS performance measurement reporting framework for both NFP and for-profit providers needed to have a much greater focus on measuring client outcomes and receiving direct customer/client feedback on the quality of the services provided, given the very high costs of the NDIS (Australian Government Productivity Commission, 2017). It is expected that the Commonwealth of Australia Department of Social Services, which has responsibility for managing the NDIS, will be required to make amendments to this performance measurement reporting framework, based on the latest Productivity Commission’s report, and focus more on the service delivery outcomes of the NDIS.

This fundamental change to the way funding entitlements are being provided to people in need, was the first in the gradual change by Government to use this new consumer directed care approach across many other social services areas in the future. Indeed, in 2015, the Australian Federal Government introduced its “Living Longer, Living Better” policy for the aged care market and incorporated the new consumer directed care approach into it. Funding is now directed to customers, who are able to choose how they will use their entitlement to aged care resources and which provider/s will deliver the services they need. The Australian Federal Government now allocates the funding for home care packages to customers, after they are assessed by an Aged Care Assessment team, rather than providing funding direct to the provider, following a tender process as it was previously. Thus, the customers/clients are in control of
purchasing those aged care services they require and therefore they are looking to providers to demonstrate how well they satisfy the needs of their customers and improve their well-being.

1.2.7. Other Key Issues Facing NFP Organisations

In addition to the above challenges, the board of directors and management of NFP organisations, especially those in the social services segment, are also facing many other important issues, identified in a recent study into the NFP sector by the Australian Institute of Directors. These issues include:

- increased demand for services
- increased competition for government contracts from for-profit enterprises
- the growing need for more funding
- increased pressure to reduce costs
- an ever-growing regulatory environment driven by Government
- increased requests from Governments for more compliance information
- difficulty in retaining competent staff and volunteers
- the growing demand from stakeholders for more accountability and transparency (AICD, 2016).

The responsibility for addressing these issues and ensuring that these NFP organisations are financially viable, legally compliant, sustainable and contribute to our society, rests squarely with the board of directors and management, who are charged with ensuring that each organisation is run effectively (i.e. achieving its goals) and efficiently (i.e. achieving its goals with minimal wastage of human and financial resources).

In particular, NFP organisations need to be focused on meeting the social needs outlined in their mission statement, according to Bagnoli and Megali (2011). In addition, Drucker (2012) emphasised that not only should NFP organisations have a well-defined mission statement, but also that management should adopt management by objectives, be socially responsible, and be accountable for the organisation’s performance and results in order to create changed human beings (Drucker, 2012). Goh, Elliott and Richards (2015) noted that central to an effective management process was the measuring and monitoring of outcomes. Cummings, Bridgman, Hassard and
Rowlinson (2017) asserted that while the classical view of good management was focused on measuring efficiency, the more contemporary view included a greater focus on the end customer, ethical considerations and the need for long term sustainability for organisations. Finally, McKernan, Kennedy and Aldred (2016) concluded from their study of NFP emergency relief centres in Ireland, that the adoption of an outcomes focused management approach led to a significant increase in funds from donors.

The considerable reliance on volunteers to assist in maintaining the functioning and indeed viability of many NFP organisations is shown by the fact that 57% of the staff of volunteer-involving organisations were in fact volunteers based on a recent survey by Giving Australia and PWC (2016 State of Volunteering). This survey showed that sport and recreation were the most common type of organisation that people volunteered for. In the community services and health organisations there was a higher level of women aged 55 years and over who were willing to volunteer in these types of organisations.

The volunteering rate tends to be higher outside capital cities with 41% of the population compared to 34% in capital cities. Overall, there were an estimated 5.8 million individuals aged 15 years and over volunteering in Australia in 2014 representing approximately 30% of the population (ABS Social Survey, 2015). 93% of charities advised that volunteers are an essential part of carrying on their mission. Volunteering Australia, whose aim is to unite those willing to give their time and those needing their assistance, is limited with funding from the Commonwealth of Australia Department of Social Services (DSS) providing only $250K to this organisation in 2017/18. Volunteering Australia advise that it has many volunteering positions on its website but struggle to provide enough people to satisfy the demand (Volunteering Australia 2018).

To achieve all these important ends, organisations must be constantly monitoring performance. As both Peters (1979) and Koontz (1980) asserted, an organisation must have appropriate performance management and measurement techniques to keep it on track and be able to demonstrate that it is meeting the requirements of its owners and stakeholders. According to the Productivity Commission report on the Australian NFP sector (Australian Productivity Commission, 2010), most NFP organisations use a limited range of performance measures and most of these are focused on inputs, outputs and financial data, rather than on customer/client outcomes and the impact on society. Given the crucial link
between achieving goals and management’s role in measuring, evaluating and improving performance, it is believed that the implementation of a uniform and concise set of organisational effectiveness measures would greatly assist the senior management of Australian NFP organisations, especially those in the social services segment, to improve overall customer/client satisfaction, but also to provide a transparent means of accountability for stakeholders.

1.3. JUSTIFICATION FOR THE RESEARCH

The report on the Australian NFP sector by the Australian Productivity Commission (2010) reported that “many NFP organisations need to significantly improve their performance effectiveness and efficiency and promote best practice approaches to performance evaluation and governance” (Australian Government Productivity Commission Report, 2010, p. 5). In addition, an Australian Taxation Office report found a lack of adequate governance within the NFP sector and that this level of governance was well below that exhibited by the for-profit and government sectors (ATO, 2011). This lack of adequate performance reporting on customer/client outcomes was again identified in the most recent Australian Productivity Commission report into the NDIS (Australian Productivity Commission, 2017). Based on these Government reports, it would seem that the management within the NFP sector need to address the issues of poor performance measurement reporting and governance and their need to be more accountable to their stakeholders.

Further to the above concerns of Government, the recent changes of Government policy to the new customer directed care funding approach, have meant that clients, potential clients and carers and donors are having to search for more timely information about the effectiveness of various NFP organisations, before committing to a particular social services provider. Further, whilst there is legislation covering Australian charities, via the Australian Charities and Not-for-profit Commission, similar legislation covering the Commission’s control over the overall NFP sector has not yet passed Parliament, thus meaning that there is no one government body having oversight of the overall sector.

Based on the literature review detailed in chapter 2, the incidence of academic research on the topic of organisational effectiveness within the social services segment of the Australian NFP sector, appears to be limited. By contrast, there has been considerable research on this subject in the UK, USA, Canada and Europe, however as the researchers, Lecy, Schmitz and Swedland (2012), concluded from their detailed
academic literature review, there have been numerous approaches to measuring organisational effectiveness, but most of the research has resulted in conceptual models and those examples of empirical measures have been rare (Lecy et al, 2012).

This exploratory research study aimed to provide detailed empirical data from both the CEOs of NFP social services organisations and the CEOs and senior management of stakeholder organisations, including Government departments, such as the Commonwealth of Australia Department of Social Services and the Australian Charities and Not-for-profit Commission as well as from influential advocacy groups, such as the Australian Carers Association. It sought detailed information from these two groups as to how organisational effectiveness is currently measured, what organisational effectiveness measures would benefit management and stakeholders in the future, and what responses were there to a proposed set of clearly defined organisational effectiveness measures, focused on outcomes accountability, governance and capacity. These measures could be adopted uniformly across the NFP social services segment to provide much greater accountability and transparency of client outcomes, resource capacity and governance to stakeholders. It could also be used to assist management identify areas for improving overall service delivery outcomes. Based on the assessment by the respondents to this proposed set of organisational effectiveness measures, a final set of organisational effectiveness measures will be recommended in Chapter 5. This set of organisational effectiveness measures could then be used as the basis for further research across the wider Australian NFP social services segment.

1.4. RESEARCH ISSUES

This research study set out to explore the way in which the management of Australian NFP social services organisations address the issue of organisational effectiveness measurement. The research issues addressed were;

(i) How do Australian social services NFP organisations presently measure their organisational effectiveness?

(ii) What organisational effectiveness measures are sought by clients and stakeholders, including Government, from these organisations to help assess their service delivery outcomes and contribution to society, given that NFP organisations must act in the public interest?
Would a uniform set of organisational effectiveness measures, focused on outcomes accountability, governance and capacity, provide a transparent means of demonstrating their accountability to their clients, potential clients, donors, other stakeholders and the general public, as well as being a valuable management tool.

1.5. METHODOLOGY

This exploratory research study used a qualitative methodology as it provided an in-depth and informative understanding of the key issues surrounding organisational effectiveness measurement in the Australian NFP social services segment. Two semi-structured interview guides were used as part of the data collection process with a slightly modified questionnaire for each group of respondents. This process involved in-depth, face to face interviews of approximately one hour with seventeen senior management personnel from both NFP social services organisations, clients and stakeholder organisations in Canberra, ACT, together with lengthy telephone interviews with the other four senior management executives in Melbourne and Sydney during the period from late 2015 to the middle of 2016.

1.6. OUTLINE OF THE THESIS

This thesis has a five-chapter structure, commencing with Chapter one, which provides an introduction to the research topic. This is followed by Chapter two, which evaluates the academic research literature covering performance management, board governance and organisational effectiveness measurement within the NFP sector in Australia and overseas and outlines a specific conceptual framework, which underpins the research study. Chapter three outlines the research methodology employed in this exploratory empirical study and details the process of collecting, coding and analysing the data from the respondents, in order to answer the specific research questions. Chapter four provides an analysis of the detailed information obtained from the interview process with each group of senior management personnel, together with their assessment and ranking of the proposed set of organisational effectiveness measures. Chapter 5 outlines solutions to the research issues and the implications of the research findings. The proposed set of organisational effectiveness measures, grouped around outcomes accountability, governance and resource capacity, is then applied to management policy and practice. The limitations of this research study are identified and their potential effects on the results explained. Given the nature of this exploratory
research study, suggestions concerning future research in the field of organisational effectiveness measurement within the Australian NFP social services segment are then outlined.
Chapter 2

LITERATURE REVIEW
2.1. INTRODUCTION

Chapter 2 will review the academic literature on the elements of performance management, governance and organisational effectiveness and the various conceptual frameworks and principal organisational effectiveness approaches that have been developed previously in UK, USA, Europe and Canada. This chapter will also review academic research in the field of organisational effectiveness within Australian not-for-profit organisations. It will conclude by outlining some implications for the current research study.

2.2. DEFINING ORGANISATIONAL EFFECTIVENESS

A high-level definition of organisational effectiveness is goal attainment or “doing the right thing”, while efficiency is getting the most output from the least amount of resources or “doing things right” (Robbins, Bergman, Stagg and Coulter, 2003). Organisational effectiveness is related to how well an organisation understands, reacts to and is influenced by its environment. Lecy, Schmitz and Swedland (2012) conducted an extensive review of academic literature on the subject of organisational effectiveness and observed that there were many variations in defining effectiveness, based on the level of analysis chosen, whether it be at an organisational, program or sector level (Lecy et al. 2012,).

Another definition of organisational effectiveness was sought from CEOs of 150 large non-profit organisations in the USA by the researcher Mitchell (2013). He found that the vast majority (82%) of practitioners held that the term “outcomes accountability” best defined organisational effectiveness. The rationale was that this term encompassed the achievement of measurable progress towards specific outcomes, measured by noting the changes in behaviour/attitudes and well-being of customers. This term also was a reflection of achieving the mission of the non-profit organisation (Mitchell, 2013).

A more recent definition of organisational effectiveness was provided by Willems, Jegers and Faulk (2016) who stated that “organisational effectiveness is the extent to which the inputs and outputs are balanced through a combination of internal processes and external programs to reach predefined goals.” (Willems, Jegers and Faulk, 2016, p. 458). They observed that the effectiveness of the organisation emphasises the subjective perceptions of individual stakeholders regarding the interrelationships of the inputs, outputs and outcomes of the organisation (Willems et al 2016). Whilst there seems to be little consensus on how to define effectiveness, there
are many different models or approaches of organisational effectiveness, based around the many theories of performance management.

2. 2. 1. Theories of Performance Management and Governance

Organisational effectiveness, sustainability and the contribution to society of NFP and for-profit organisations rests predominantly with the management and board of directors who are charged with making the organisation both effective (i.e., achieving their mission and goals) and efficient (i.e., achieving the goals with minimal wastage of human, physical and financial resources). The practice of management is underpinned by Fayol’s Administrative Management theory which covers both the activities of managers and also the principles of management (Fayol, 1949). Fayol stated that “the responsibility of general management is to conduct the enterprise towards its objectives by making optimal use of available resources. It is the executive authority. It draws up the plan of action, selects personnel, determines performance, ensures and controls the execution of all activities” (Fayol, 1949, p 49). This theory also identified the five central functions of management, namely, planning, organising, co-ordinating, commanding and controlling. In addition, Fayol suggested 14 principles of administration to assist managers perform their functions and these included such things as the division of work, authority and responsibility, the degree of centralisation and the unity of command (Fayol, 1949).

This study of management theory was extended by Koontz (1980) with further theories including operational theory, decision theory and system theory. Koontz favoured the operational theory for organisations as it draws together the pertinent knowledge of management by relating it to the functions of managers and provides a framework for the actual practice of management based on the work of Fayol. In the case of NFP organisations, Tucker, Thorne and Gurd (2013) noted that the management of organisational performance was limited to the diverse needs and requirements of stakeholders. They claimed that to be effective in meeting these needs, it requires the monitoring and control of performance and this is closely linked to gathering relevant information. This information for NFP organisations could, according to Epstein and McFarlan (2011), be grouped under five performance metric clusters. These are inputs, activities, outputs, outcomes and impacts, with outcomes being the net effect of the services on the clients or beneficiaries and impacts being the broad effects that accrue to the communities and society. These same clusters were, in fact, used by the Australian Government Productivity Commission in their study of
the NFP sector in 2010 (Australian Government Productivity Commission, 2010). Epstein ad McFarlan (2011) contended that the selection of appropriate performance measures needed to have a critical connection to the defined mission and strategy of NFP organisations. Further, according to Bagnoli and Megali (2011) based on their research with an Italian social co-operative named Ulisse, “such performance measures need to be linked to management control dimensions such as economic/financial, social effectiveness and institutional legitimacy” (Bagnoli and Megali, 2011, P150). As noted by Koontz (1980), NFP organisations are similar to for-profit and public enterprises in that they all need to adopt the critical functions of planning, organising, leading and controlling as they are the foundation of effective performance management (Koontz, 1980)

These performance management theories are closely associated with the stakeholder theory of governance for the directors of organisations, given that they are legally responsible and accountable to all those that interact with the organisation. This theory, according to Spitzeck and Hansen (2010), holds that stakeholders are critical to the survival of the organisation and they need to be considered in the system by which the organisation is directed and controlled. Therefore, the board of directors need to ensure that appropriate performance measures are put in place to identify whether the organisation is meeting the needs of its stakeholders. The use of the various governance principles, set out by the Australian Securities Exchange (ASX) for board directors, is aimed at improving overall organisational performance and effectiveness and also being more accountable and transparent to stakeholders (ASX Corporate Governance Council, 2010). These stakeholders and/or shareholders are represented by the board of directors (Cornforth, 2012). The role of board governance underpins the success of the organisation and is a vital component of both non-profit and for-profit organisations (Carver, 1997). Research on board governance practices used in Australian NFP organisations, conducted by Steane and Christie (2001), indicated that a stakeholder governance approach was being used rather than a shareholder approach (Steane and Christie, 2001). The board of directors need to communicate with and be responsible to stakeholders for achieving the organisation’s mission (Willems et al., 2016).
2. 3. ORGANISATIONAL EFFECTIVENESS FOR FOR-PROFIT AND NOT-FOR-PROFIT ORGANISATIONS

2. 3. 1. For-Profit Organisational Effectiveness

According to Aaket (1988) the primary role for a for-profit organisation is to generate and grow profitability as this reflects the viability of the organisation and its ability to be competitive in the market. This profitability indicator is demonstrated in a number of ways, namely the return on shareholders/investors funds invested and the return on the assets of the organisation. In addition, the profitability of a for-profit enterprise is a reflection of its market share and its ability to maintain revenue, cash flow and profit growth (Aaket, 1988). A further goal of a listed public company is to achieve ongoing capital gains for its shareholders in the form of both regular increases in its share price and dividends paid. These elements are clear evidence that an organisation is operating effectively, given that it is producing consistent growth in its overall profitability, growing its net worth over time and providing above average returns to shareholders.

Those for-profit organisations operating in the social services segment have a primary focus of competing only in those parts of the segment where adequate profit returns can be made. Their focus is on providing social services as cost efficiently as possible to achieve their goals. This, in turn, leads to greater profitability and better access to funds to continue business expansion for the benefit of shareholders (Collins, 2005). The measurement of outcomes accountability is addressed in a highly-disciplined manner by for-profit organisations so to ensure that the services to clients are carried out in a manner that uses the least amount of financial and human resources to ensure ongoing profitable growth. Outcome measurements include client and carer satisfaction, changes in client well-being assessed before and after service delivery, the costs of resources used relative to the return from clients, areas of potential risk (e.g., client complaints) regular benchmarking, particularly of staff levels per client and often a measure of the level of client recommendation to potential clients (Muir and Bennett, 2014). For-profit organisations often use tools such as logic models, to help list key performance indicators related to outcomes. This assessment and evaluation links the goals of the organisation to the outcomes for clients. These measurements are used by for-profit organisations to determine whether it is
appropriate to continue providing various social services or to exit, if the financial returns from that service provision are not meeting the corporate goals (AICD, 2016).

2.3.2. Not-for-profit Organisational Effectiveness

By contrast, the primary role of a not-for-profit organisation is to serve the public interest (Lyons, 1998). As detailed in Chapter 1, Section 1.2.1., NFP organisations are self-governing, non-profit distributing and have a mission that has a positive long-term impact on society (Salamon, 2010). NFP organisations include education, religious, leisure pursuits, social services, hospitals, aged care and youth and family support, co-operatives, charities and other special interest groups. Their core objectives are therefore not related to financial returns for shareholders but rather goals aimed at providing social benefit to their constituency. The income and assets of a NFP organisation must be applied solely to achieving their mission and objectives and that their funds are not to be distributed directly or indirectly to the organisation’s members (ATO, 2007). In addition, many NFP organisations have the benefit of the services of volunteers who undertake tasks not only as a means of saving the NFP organisations much needed funds but also as a means of their own service to the public good.

This focus on mission was endorsed by Bish and Becker (2016) in their qualitative survey of 6 Australian NFP organisations. They found that NFP organisations are unique in terms of their focus on values and commitment to the organisation’s mission (Bish and Becker, 2016). Even though these organisations are not run for profit, it is still important for them to employ sound management practices if they are to achieve their mission and remain viable and sustainable. These organisations are usually recipients of funds from government and donors and need to use their funds as efficiently and effectively as possible if they are to survive over time and account for this use in a transparent and timely manner (Spencer, Brueckner, Wise and Marika, 2016). NFP organisations are required to have a board of directors who are held responsible for the overall effectiveness of the organisation.
Good board governance along with strong performance management are vital elements of an organisation’s effectiveness. Both these elements are essential in considering different models of organisational effectiveness as outlined in Section 2.5. Mintzberg (1975), Buchner (2007) and Sillanpaa (2011), all expressed the view that correct performance management and measurement processes contribute to an organisation’s success because of the need for creating objectives, establishing the performance standards to be met, monitoring this performance via the observation of appropriate measures over time and modifying strategies and tactics to achieve the objectives. This view was endorsed by both Peters (1979) and Kaplan (2001), who pointed out that managers establish goals that move the organisation forward and appropriate performance measurement techniques are required to keep the organisation on track. Performance management encompasses a broad range of elements with an emphasis on performance measurement, leadership and performance information directed at the decision-making processes and procedures. The effective performance of an organisation results from identifying necessary improvements based on performance information and the monitoring of outcomes (Goh, Elliott and Richards, 2015).

Whilst management analyses the performance data and converts this data into decisions and actions, performance measurement is defined by Antunes, Piris and Machado (2009) as the process of quantifying the effectiveness and efficiency of past actions (Antunes, Piris and Machado, 2009). This definition of performance measurement was endorsed by Soysa, Jayamaha and Gregg (2016), all of whom noted that the set of performance metrics should be derived from the strategy, be capable of providing a balanced view of performance and should encourage appropriate actions for goal attainment (Soysa et al., 2016). Performance, noted Payer-Langthaler and Hiebl (2013), can be defined as intentional action, and therefore performance management is an assessment of the results from intentional actions (Payer-Langthaler and Hiebl, 2013). Whilst NFP organisations are not permitted to distribute their profits, they do provide their value in terms of goods/services to members of society.

The measurement of performance of NFP organisations serves two purposes, according to Cordery and Sinclair (2013) based on their academic literature review. The two purposes are to prove an organisation’s worth to resource providers and
service recipients and to improve performance by learning from the evaluation of performance and the comparison to others (Cordery and Sinclair, 2013). The measures established to gauge an organisation’s effectiveness are therefore critical to the role of performance management. Managers need to be aware of the different models of organisational effectiveness and how specific measures around these models will contribute to better management of the organisation.

2.5. MODELS OF ORGANISATIONAL EFFECTIVENESS

The figure displayed below attempts to identify the many different models of organisational effectiveness:

![Organisational Effectiveness Model Diagram](image)


A brief explanation of each model follows;

**Systems Resource**

The systems resource model, developed by Yuchtman and Seashore (1967), regarded an organisation's success over a period of time in its competition for resources (such as finance) as an expression of its overall effectiveness. In a sense the survival and growth of an organisation is seen as a proxy for effectiveness. This approach focuses on the organisation’s ability to fulfil basic needs and survive. The organisation strives to exist based on how well it manages the network of inter-related subsystems. The organisation’s effectiveness hinges on a combination of how well it uses its resources in responding to the most important subsystems’ needs and the
tension produced by the system in fulfilling or not fulfilling its needs. Therefore, its key purpose is to determine the management efficiency in allocating and utilising resources (Yuchtman and Seashore, 1967).

**Internal Processes**

The internal processes approach created by Georgopoulos and Tannerbaum (1957) deals with the internal mechanisms of the organisations. It focuses on conducting smooth and efficient operations and maintaining employee satisfaction. Rojas (2011) identified a study by Bhargava and Sinha (1992) who applied a seven point scale to four components of productivity, commitment, leadership and interpersonal conflict to assess organisational effectiveness. It was determined by Rojas (2011) that this model was difficult to use due to the relative interpretation of the commitment and productivity components (Rojas, 2011).

**Goal Attainment**

This approach concentrates on the degree to which an organisation achieves its goals. Etzioni (1964) contended that organisations are deliberately constructed and reconstructed to seek specific identifiable goals, that could be measured. So, organisational effectiveness can be defined as the extent to which the organisation succeeds in achieving its specific goals (Etzioni, 1964).

**Strategic Constituencies**

The strategic constituencies approach, developed by Cameron (1986), considers the extent to which the organisation is able to satisfy the demands and expectations of different groups including suppliers, customers, shareholders, donors and employees/volunteers and any other groups influenced by the organisation. This requires detailed feedback from each group to be of benefit to the organisation.

**Combined Approach**

The combined approach draws together the above four models and contends that an organisation must essentially satisfy the requirements imposed on it by each of the organisational effectiveness perspectives. Davidson, Simon, Woods and Griffin, (2009) expressed the view that rather than adopting a single approach, organisational effectiveness can best be understood by an integrated perspective as illustrated in Figure 2.1. At the core of this unifying model is the organisational system with its
inputs, transformation, outputs and feedback. Davidson et al. (2009) viewed organisational effectiveness as being a response to how well managers identify where they want the organisation to be relative to other parts of their environment and how to best get there (Davidson et al., 2009).

**Other Models**

Liket and Maas (2015) identified a number of other models of organisational effectiveness in their review of the academic literature review on the subject. These models are reputational and competing values and are summarised below.

**Reputational**

This reputational approach, developed by Forbes (1998), seeks to align the effectiveness criteria with the satisfaction of the various constituents such as customers and employees who are familiar with the organisation. It seeks to gain feedback from stakeholders about the perceived performance of the organisation. This approach is not dissimilar to the strategic constituencies approach proposed by Cameron (1986) as it seeks to gain the perceptions of the organisation from a range of stakeholders. This approach was further considered by Herman and Renz (1998) when they studied 64 USA health and welfare charities providing services to clients with disabilities. Their research highlighted the need for leaders of non-profit organisations to identify performance measures and other constructions of effectiveness that will be the basis for the stakeholders’ judgement of the organisation’s effectiveness (Herman and Renz, 1998).

Herman and Renz (2008) explored this approach further in their review of the academic literature which highlighted that different stakeholders judge organisational effectiveness differently and that the boards of non-profit organisations need to interact with stakeholders and understand their criteria for measuring effectiveness. These measures include such things as program outcomes, public image, financial conditions and the level of community collaboration. Indeed, this responsiveness by the organisation to the community was seen as an overarching criterion of organisational effectiveness by different stakeholder groups (Herman and Renz, 2008).

A study by Willems, Jegers and Faulk (2016) with publicly funded organisations and 284 of their stakeholders in Belgium, showed that reputational trust is a necessary condition for stakeholders to accept and endorse the organisation’s effectiveness. Stakeholder satisfaction with the organisation’s representation of their
interests can have a direct impact on its effectiveness reputation and this plays a vital role in securing funds from external sources (Willems et al, 2016).

**Competing values**

The competing values approach was developed by Quinn and Rohrbaugh in 1983 and seeks to compare the organisational effectiveness of for-profit and non-profit organisations by assessing four dimensions, namely human resources, open systems, internal processes and rational goals (Quinn and Rohrbaugh, 1983).

The authors, Grabowski, Neher, Crim and Mathiassen (2015), modified this approach by using three sets of competing values, namely organisation focus (i.e., well-being of its employees), organisational structure (i.e. flexibility) and organisational means versus ends (i.e. change from a planning emphasis to final outcomes). Their research study via a case study of a voluntary agency serving disabled folk in the USA, found that the use by management of this approach helped improve the agency’s use of scarce resources, structural preference, governance and innovative capabilities. The authors suggested a fourth value, motivational traits, could be added for non-profit organisations (Grabowski et al., 2015).

2. 6. MEASURES OF ORGANISATIONAL EFFECTIVENESS IN NFP ORGANISATIONS

Given the numerous approaches to organisational effectiveness, many NFP organisations have found it difficult to incorporate specific measurement processes. Researchers, Baruch and Ramalho (2006) reviewed academic publications from 1992-2003 on the subject of measuring organisational effectiveness both in for-profit and not-for-profit firms. They found many common measures such as efficiency, productivity, growth, market share, customer satisfaction and service/product quality. In fact, whilst the for-profit organisations showed a strong focus on profitability and financial success, the NFP organisations focused on reputation, public image, human outcomes and internal factors such as employee satisfaction, morale and commitment (Baruch and Ramalho, 2006). In research conducted with 20 German NFP organisations operating in the social services and health care areas, Greiling (2010) found that most organisations relied predominantly on financial measures, such as costs, to the detriment of other measures, such as outcomes.

The difficulties in measuring the performance of NFP organisations compared to for-profit organisations were identified by Bryson (2011). Following his review of the academic literature, Bryson found that these difficulties were in part, due to the delivery of intangible services by NFP organisations (Bryson, 2011). This view that it was difficult to isolate the effect of various programs, was also endorsed in research conducted in a Netherland’s Institute for Mental Health by deWaal, Goedegebuure and Geraedts (2011). Again, in a study of non-profit organisations in South Africa in 2015, it was found that, whilst the determinants for delivering effectiveness were both financial and non-financial, the non-financial criteria were more general in nature and more difficult to measure as they centred on factors such as social responsibility, legal compliance, innovation, customer satisfaction and the quality of management (Iwu, Kapondora, Twum-Darko, and Tengeh, 2015).

Based on the literature review of NFP organisations in the UK by Huatuco, Moxham, Al-Tabbaa and Burt (2014), it was found that most measurement systems were of a general nature based on stakeholder requirements and were not used as a guide for decision making, quantifying results or improving organisational effectiveness (Huatuco et al., 2014).

2. 7. MEASURES WITHIN THE MODELS OF ORGANISATIONAL EFFECTIVENESS FOR NFP ORGANISATIONS

Based on the extensive reviews of the academic literature on the models of organisational effectiveness, both Lecy, Schmitz and Swedland (2012) and Liket and Maas (2015), independently came to the view that, despite the diversity of ways that organisational effectiveness has been studied, four approaches, namely goal attainment, strategic constituencies, systems resource and reputational, best represented organisational effectiveness (Lecy et al., 2012, Liket and Maas, 2015).

In order to understand what types of measures are most appropriate for use within the previously discussed approaches of organisational effectiveness, a review of the measures developed by academic researchers was undertaken. These measures have been grouped under the four major models or approaches of organisational effectiveness, namely goal attainment, reputational, strategic constituencies and systems resource.
2. 7. 1.  Goal Attainment Model

Social Value

Given that NFP enterprises have a core mission that is in the public interest, it is appropriate to consider measures that would convey the public value adding activities of these NFP organisations. Moulton and Eckerd (2012) were of the view that public value was a valuable organisational effectiveness measure for the non-profit sector. They categorized public value into six dimensions namely, service delivery, innovation, advocacy, individual expression, social capital creation and citizen engagement. However, these researchers did not provide information about how these would be measured (Moulton and Eckerd, 2012). Their views on public value as a measure of organisational effectiveness were further developed by Lee and Nowell (2015), who reviewed past reporting frameworks from 1990-2012 and developed a number of perspectives to measure how effectively the social services organisation utilises its limited resources. These perspectives were inputs, capacity, outputs, outcomes, customer satisfaction, institutional legitimacy and public value accomplishment. They noted that public value accomplishment could be measured in terms of well-being and happiness of society and that these attained goals could be linked to effectiveness. However, they expressed the view that there are so many elements that it is too complex to measure (Lee and Nowell, 2015).

Alternatively, a research study of the accounting and reporting systems used by non-profit social purpose organisations in the UK and USA concluded that an approach using social return on investment (SROI) could be developed and this would convey organisational effectiveness and account for a wider range of stakeholder interests (Hall, Millo and Barman, 2015). SROI is a specialised form of cost benefit analysis, which places monetary value onto the social impact of activity. It is based on program logic or the theory of change as it examines the relationship between inputs and impacts in monetary terms. Following a sensitivity analysis, the result of the SROI is expressed in terms of a ratio or payback period. This SROI analysis is tailored to each organisation and does not, at present, lend itself to cross organisation comparisons, however it can act as a good benchmark for performance change over time.

This approach was further explored by Bengo, Arena, Azzone and Calderine (2016) who reviewed various accounting frameworks in past academic literature. They concluded that SROI was a good measure of effectiveness as it measures the
value of the social benefits created by the organisation in relation to the relative cost of achieving those benefits, however it is complex and challenging to use (Bengo et al., 2016).

Other forms of social benefits are being provided by social enterprises, which do seek to create positive social outcomes for particular geographical communities. In research on the social impact of these enterprises by Castellas, Barraket and Hiruy (2017) in 2017 in Victoria, they noted that most of these social enterprises did not refer to themselves as NFP organisations. They usually employed a small number of people (less than 20), however they did rely heavily on volunteers, but received limited formal financial support in the form of donations. These social enterprises have a social, economic, cultural or environmental focus linked to a community benefit and in the main, they need to trade goods and/or services to provide the income required to fulfil their mission. They have a diversity of missions, ranging from starting a sporting club or a credit union for the benefit of the local community to creating employment and training opportunities for local people.

The research survey by Castellas et al. (2017) revealed that some 60% of the sample claimed to measure their social impact with the majority measuring employment inputs and outputs. Others used social output and outcome metrics, such as perceived well-being, perceived satisfaction, the number of reconnected families, the degree of recidivism, access to services, education outcomes such as increased literacy and program participation. A number of these enterprises measured performance against a variety of environmental metrics, such as the number of trees planted and the reduction of greenhouse gas emissions. The survey estimated that there were 3500 social enterprises in Victoria in 2017 and these contributed $ 5.2 billion p.a. to the economy with 55% gaining their income from selling goods and/or services. Some 41% had applied for small government contracts to assist their activities. These enterprises also contributed to reducing social disadvantage by providing 12,000 jobs for people with a disability, 4,000 jobs for people who were long-term unemployed and 1,000 jobs for indigenous Australians, whilst also enabling 42,000 volunteers to contribute over the twelve months to providing these social benefits. Some 40% of the sample did not measure their social outcomes or impacts, primarily because of insufficient resources, the costs involved and/or the lack of knowledge of what to measure and how to go about it. (Castellas, Barraket and Hiruy, 2017).
Outcomes

The net social benefits referred to above are often linked to the achievement of various social objectives or goals, and the end result is often referred to as outcomes. Outcomes are the benefits to individuals, groups or beneficiaries during or after participating in the program activities of the organisation (Morley, Vinson and Hatry, 2001). However, outcome measurements do require that the goals are clearly stated and that these goals are measurable. Buckmaster (1999) found that the important benefit for NFP organisations of measuring outcomes was that it provided the potential to manage programs more effectively and also led to a higher learning capability for managers (Buckmaster, 1999). His research with a Californian non-profit organisation serving visually impaired persons, showed that selecting various outcome measures, such as patient satisfaction with the quality and level of service, helped improve the organisation’s effectiveness (Buckmaster, 1999).

Ebrahim and Rangan (2010) concluded that outcome measures for non-profit organisations were beneficial in identifying effective management practices and helped improve the delivery of services. In fact, Thompson (2010) reinforced this view following his research with non-profit organisations in Detroit USA, where he found that the imposition of outcome reporting requirements by funders resulted in many organisations adopting a more results orientated and mission focused set of outcome measures (Thompson, 2010).

Further, in an Irish study in the area of emergency relief, McKernan, Kennedy and Alfred (2016) found that sound performance measures led to better outcomes and in fact, they concluded that performance management should be called results based management (McKernan et al., 2016). They also found that adopting a result based management approach led to significant funding increases from donors as these donors received regular updates about the results or outcomes achieved by the relief organisations. Results based accountability, based on work by Osborne and Graebler (1992) and developed further by Friedman (2005), is a means of measuring whether the outcomes have been achieved for clients and customers. Results based accountability (RBA) uses qualitative and quantitative measures to assess the inputs, outputs, results of the programs and what can be learned from these results. The measures are primarily internally focussed and do not incorporate external feedback from stakeholders, such as clients, carers or employees.

Outcome measures were grouped into clusters by Epstein and McFarlan (2011). These clusters were inputs, activities, outputs, outcomes and impact (with
impact being the broad benefits that accrue to the communities and society as a whole as a result of the attainment of the outcomes) (Epstein and McFarlan, 2011). Whilst these researchers suggest that financial measures should be created to judge administration and fund raising efficiency, their work with the American Association of Retired Persons Foundation, the largest non-profit membership organisation in the USA, found that the most important thing was to establish measures that demonstrated how the organisation impacted the communities they served and were accountable to. Unfortunately, the research by Epstein and McFarlan (2011) did not determine via any empirical studies, what the measures actually were and whether these measures did in fact improve the effectiveness and efficiency of each organisation’s service delivery outcomes. Indeed, Benjamin (2008) and Ebrahim and Rangan (2010) both noted from their research that an outcome measure of the changes in a client’s state of well-being before and after the delivery of these social services was an important indicator of organisational effectiveness.

Following this research, Charity Navigator and the American Institute of Philanthropy, two of the largest independent charity evaluation organisations in the USA, modified their evaluation process and now rate charities and non-profit organisations based on financial health, accountability and transparency. Charity Navigator uses two data sources, namely the information sent to the US Inland Revenue Service and the website of each charity. Whilst financial health covered items such as the working capital ratio and fund raising expenses as a percentage of total expenses, accountability was viewed as an obligation to explain its actions to stakeholders, whilst transparency was a willingness to publish critical data about the organisation (http://www.charitynavigator.org - accessed on 23.04.2013).

Interestingly, the Australian Government Productivity Commission’s research into the state of the NFP sector in Australia in 2010, used various measurement groups based on the Epstein and McFarlan (2011) research. These were, namely inputs (covering such things as funding and in kind support), outputs (covering services to clients), outcomes (including improvement in health and safety) and finally impacts on the well-being of society. The Australian Government Productivity Commission Report (2010) highlighted the fact that NFP organisations used a limited number of measures on outcomes and impacts, whilst there was extensive data on inputs and outputs. The Australian Government Productivity Commission Report (2010) also concluded that there needed to be a more standardised approach to the types of measures being sought by various stakeholders, including government departments.
(Australian Government Productivity Commission Report, 2010). Therefore, measures associated with social value, such as social capital creation and citizen engagement, along with those associated with outcomes, such as patient satisfaction and quality of services, would make an important contribution to the goal attainment approach to organisational effectiveness.

2.7.2. The Strategic Constituencies Model

Governance

The strategic constituencies approach to organisational effectiveness focuses on how well the organisation satisfies the demands and expectations of all the groups that have a stake in the organisation, such as employees, suppliers and customers (Cameron, 1986). Given that the board of directors has the ultimate responsibility for the operations of an organisation, measures relating to board governance are appropriate for consideration. As Drucker (1990) acknowledged, the governance role of the board covers the areas of mission adherence, performance review, responsiveness to stakeholders and a clear accountability for the whole organisation and its operation regardless of whether it is in the for-profit or non-profit sector (Drucker, 1990). Indeed, consideration of a multi-dimensional set of measures for the strategic constituencies within NFP organisations, was researched by Sowa, Seldon and Sandford (2004). They developed a list of measures under five headings, namely management effectiveness (e.g. staff turnover), stakeholder involvement (e.g. community involvement), benchmarking (e.g. compliance), customer satisfaction (e.g. customer satisfaction survey and service quality) and finances (e.g. fundraising expenses). These measures were developed into a conceptual framework but were not tested empirically. They found a need for these measures to be integrated within non-profit organisations (Sowa et al., 2004).

This need for an integrated oversight is fundamental to the principles of good governance as outlined by Lyons (2001) who referred to governance as the arrangements for an organisation’s total control, involving who sets its direction, who monitors it and who finally takes responsibility for the firm’s performance (Lyons, 2001). In NFP organisations, as stated in Section 2.2.1., the stakeholder theory of governance is preferred as it holds that the board of directors and the organisation are accountable to all its stakeholders and key measures related to performance and governance should be available for stakeholders to see.
Accountability

Accountability is defined by Ebrahim (2003) as “the means through which individuals and organisations are held to account for their actions and the means by which they take internal responsibility for continuously shaping and scrutinising organisational mission, goals and performance” (Ebrahim, 2003, p. 194). Ebrahim identified five broad categories of accountability used by non-government organisations (NGOs) namely, reports and disclosure statements, assessments and evaluation, participation, self-regulation and social audits (Ebrahim, 2003).

This concept of accountability was expanded on by Gray, Bebbington and Collison (2006), who developed five dimensions of accountability. These were transparency, liability, controllability, responsibility and responsiveness (Gray et al., 2006). This responsiveness to donors and funders, in particular, was regarded as extremely important by Carman (2010) who noted that accountability practices are influenced by funders and that those organisations which comply, tend to receive more funding. Indeed, accountability, plus legitimacy and efficiency improvement were regarded by Moxham (2014), following a recent review of academic papers on measuring organisational performance in the NFP sector in the UK, as being important drivers influencing organisational effectiveness measurement.

According to Coule (2015), accountability is one of the key governance functions as it meets the needs of the external stakeholders through the monitoring of the mission driven activities and demonstrates a source of legitimacy (Coule, 2015). This view endorsed that of Cooper (2005), who found that accountability by NFP organisations relies on the firm’s ability to identify all relevant stakeholders and communicate openly with them (Cooper, 2005). A further means to assess accountability was developed in the UK by Connolly and Kelly (2011). They created three themes, namely legal (i.e. funders and regulators), constructive (i.e. performance assessment) and voluntary (i.e. meeting its objectives) (Connelly and Kelly, 2011). However, none of these were expanded upon or tested empirically.

Following a content analysis of the websites of 277 USA community foundations using 2005 data, researchers, Saxton and Guo (2011) developed a model of casual factors used to determine accountability practices. They found that the factors were strategy (i.e. stakeholder focus), capacity (i.e. revenue, assets), governance (i.e. board structure) and environment (i.e. resources). These researchers concluded that capacity was the dominant factor in the model.
Dhanani and Connolly (2012) completed an analysis of the 2005-6 annual reports of 75 of the largest 100 UK charities and developed four accountability themes based on stakeholder theory. These themes were strategic accountability (i.e., disclosures, association with the mission), fiduciary accountability (i.e., governance and risk management), financial accountability (i.e., financial position) and procedural accountability (i.e., operational policies and staff). They found that the composition of the disclosure report appeared to be motivated by the desire to present a positive image to the public, which does detract from the real notion of accountability (Dhanani and Connolly, 2012).

Further to the above, Acar, Guo and Yang (2012) found that there was general agreement over the basic questions linked to accountability, namely who should be held accountable to whom and for what. Some further approaches to assess accountability were developed by Andreaus and Costa (2014). Following their literature review, these researchers developed an integrated accountability conceptual model with three dimensions, namely economic and financial, mission related and the relationship with stakeholders. They concluded that the economic and financial dimension related to the efficiency of the organisation, the mission dimension related to effectiveness and all stakeholders need to be informed (Andreaus and Costa, 2014). The model, and any measures, were not empirically tested, however.

A set of broad measures of organisational effectiveness to reflect different constituencies was developed by Boateng, Akamavi and Ndoro (2016) following a qualitative and quantitative survey of 105 large non-profit charities in the UK. They developed five clusters namely financial (i.e. revenue, growth, diversity of funding), customer satisfaction (i.e. survey, quality of service), management effectiveness (i.e. program objectives, outputs, labour turnover rates), stakeholder involvement (i.e. community involvement, board member engagement) and benchmarking (i.e. compliance to government standards and practice and comparison to competitors). These researchers found that these multiple measures best reflected the different constituencies and that the quality of service and client satisfaction were the two most important measures for UK charities.

2.7.3. The Reputational Model

The reputational approach of organisational effectiveness emphasises the fact that the perceptions of various stakeholders is crucial to the understanding of whether or not an organisation is effective. Herman and Renz (1998) conducted research in 64
USA health and welfare charities to ascertain the reputation of these organisations based on stakeholder perceptions. They concluded that management and directors need to develop close dialogue with key stakeholders to demonstrate performance and outcome measures, so that stakeholders can make judgements as to the organisation’s effectiveness (Herman and Renz, 1998). These researchers did not develop any specific measures to help correlate reputation to effectiveness.

A more widely used measurement tool used across both a number of for-profit and NFP organisations, is the net promoter score developed by Reichheld (2003). This assists in determining the reputation of an organisation based on how well clients and customers regard the overall quality and value of the services provided. The net promoter score is arrived at via the “likelihood to recommend” question with the score based on the difference between the percentage of customers that are very likely to promote the organisation (i.e. score 9 or 10 out of 10 are promoters) less the percentage of customers that have not had a good experience or are critical of the organisation (i.e. score between 0 and 6 are detractors). The higher the net promoter score out of 10, the more highly regarded is the organisation in the eyes of customers (Reichheld, 2003). In addition, those people who are more likely to recommend the organisation to others contribute to the organisation’s continued growth in the market. This net promoter score can be tracked simply and the feedback from customers provides a rich source of information that can be used by management to improve the processes, services and the overall value proposition.

The feedback from key stakeholders, such as clients, donors and employees, was endorsed in on-line research conducted in Belgium relating to organisational effectiveness. This on-line survey in a sociocultural organisation that relied on public funding was conducted by Willems, Jegers and Faulk (2016). They found that the reputation of the organisation, together with trust in the directors, stakeholder satisfaction and representation, were all key measurement dimensions in judging organisational effectiveness (Willems, Jegers and Faulk, 2016).

2.7.4. The Systems Resource Model

The systems resource approach to organisational effectiveness focuses on the efficiency with which resources are used and the extent to which the organisation can acquire the resources it needs (Yutchman and Seashore, 1967). Measures that concentrate on the financial health and employee capacity of an organisation to meet its needs would seem to be appropriate. A financial model for NFP organisations was
developed by the Australian researcher, Abraham (2006), who created a series of ratios focused on an organisation’s viability, profitability, service delivery expense and client retention. Abraham (2006) commented that this ratio method is more appropriate on stewardship and accountability grounds as it assists in assessing an organisation’s overall capacity to remain viable (Abraham, 2006). Research in South Africa by Iwu, Kapondora, Twum-Darko and Tengeh (2015) showed there were financial and non-financial factors to be measured. In the financial area, the researchers identified working capital, fund raising costs and liquidity. In the non-financial area, factors such as social responsibility, legal compliance, customer satisfaction, management of quality and innovativeness were seen as important to measure, however these researchers did not provide specific measures (Iwu et al., 2015).

More recent research via a web based survey, conducted by Soysa, Jayamaha and Grigg (2016) with Australian healthcare NFP organisations identified a number of measurement dimensions that could be considered within the systems resource approach. These dimensions were organised into a performance management framework that focused on mission, strategy, organisational capabilities, financial health, organisational infrastructure, development, information processes as well as, client and donor satisfaction. Organisations were able to rate themselves against these dimensions and determine whether they were in agreement with the dimensions (Soysa et al., 2016). The authors concluded that stakeholder satisfaction is measured through the delivery of high quality services, valuing skilled workers, including volunteers, and being committed to social responsibility. However, no specific measures were tested in this survey.

In another recent study, Prentice (2016) noted that, based on a literature review of the non-profit health sector in the USA, there were many measures used to assess organisations, however, there was no consistency. Prentice (2016) did identify a number of financial measures, including liquidity solvency, profitability and margin that could be used in the system resource approach (Prentice, 2016).

2.8. IMPLICATIONS OF THIS LITERATURE REVIEW FOR THE CURRENT RESEARCH STUDY

This literature review has identified four key approaches to organisational effectiveness. A further investigation of the literature has highlighted a number of measurement dimensions that can be limited to each of these approaches. In order to group measures into a more concise format, a method was developed to assemble these
into the following headings, namely: outcomes accountability measures, governance measures and capacity measures.

The justification for using the term “outcomes accountability measures” was based on a research study by Mitchell (2013). In a series of face to face interviews, conducted between 2006 and 2008 with the CEOs of 152 large USA non-profit organisations, Mitchell found that 82% of the CEOs held that outcomes accountability best defined organisational effectiveness as it included measurable progress towards specific outcomes and monitored the changes in behaviour/attitude/capabilities, as well as demonstrating the mission to donors. A further 15% of respondents defined organisational effectiveness in terms of overhead minimisation, which focused on financially oriented themes such as cost efficiency, output reporting and fund raising results (Mitchell, 2013).

The second heading of governance was based on the fact that external stakeholders (i.e. governments, donors and funders) contribute virtually all the revenue of not-for-profit organisations in Australia, and these organisations rely on the directors to oversee the organisation and ensure that it meets the needs of both internal and external stakeholders. Finally, the capacity heading was based on the fact that there needed to be a focus on the financial and human resources of an organisation which are fundamental to its survival. A set of measures was developed by the researcher based on the above and these are detailed in Section 2.10. These formed the basis of the exploratory study with research participants.

This exploratory research study will seek feedback about these measures from the senior management of both a small number of NFP and stakeholder organisations in the ACT. The result of this exploratory empirical study is covered in Chapter 4.

2.9. CONCEPTUAL FRAMEWORK OF ORGANISATIONAL EFFECTIVENESS MEASURES IN NFP ORGANISATIONS

Specific measures have been developed from a number of organisational effectiveness measurement dimensions that have been outlined in this chapter and are attributable to a number of academic researchers, including Boateng et al., (2016), McKernan et al., (2016), Bengo et al., (2016), Prentice, (2016), Soysa Jayamaha and Grigg (2016), Willems, Jegers and Faulk (2016), Bish and Becker (2016), Liket and Maas (2015) Lee and Nowell (2015), Dhanani and Connolly (2012), Lecy et. al.,
In order to provide a means of integrating these measurement dimensions within the key organisational effectiveness approaches, the following conceptual framework has been created and is depicted in Figure 2.2. Within this framework broad measurement dimensions of outcomes accountability, governance and capacity were deduced from assessing the many different approaches to organisational effectiveness. These approaches resulted from the numerous models of organisational effectiveness that have been developed by various academic researchers. A diverse range of measures resulted from the analysis of the broad measurement dimensions and these were the ones which were included in the qualitative research study with participants from the not-for-profit social services segment in the Australian Capital Territory and the surrounding New South Wales region. The approaches of goal attainment led to a measurement dimension of outcomes accountability. The strategic constituencies and reputational approaches led to the governance dimension and systems resource approach led to the measurement dimension of capacity.

2. 10. SUGGESTED ORGANISATIONAL EFFECTIVENESS MEASURES

Based on the review of the various approaches to organisational effectiveness detailed in this literature review, a set of measures was developed and segmented into the three measurement dimensions of outcomes accountability, governance and capacity.

(a) Outcomes accountability (i.e. client well-being/being better off)

- Level of client satisfaction with service quality, via independent survey (IS)
- Level of carer satisfaction with the organisation via IS
- Carer assessment of changes in client attributes/wellbeing over time via IS.
- Client/carer recommendation to potential clients (net promoter score) via IS
Measures before and after participation in the service program
Number and seriousness level of complaints
Status of accreditation (if required)

The above group of measures seeks to identify how well the NFP organisation is delivering on its mission, which in the social services areas involves improving the well-being of clients. Apart from determining the level of satisfaction of the clients with the services provided, these measures also seek to get feedback from carers of these clients, preferably via independent survey.

Measures of the likelihood of clients and their carers to recommend the organisation utilising the net promoter score method detailed previously in the Reputational Model approach – Section 2.7.3. seeks to understand how likely clients and carers are to recommend the organisation based on their service delivery experiences. A measure of the organisation’s accreditation status with the government was seen as an important one to be included in this exploratory set of organisational effectiveness measures.

(b) Governance
- Level of compliance with government contract(s)
- Vision, mission and objectives and achievements displayed on website
- Assessment of performance against outcome focused objectives
- Overall conformance – legal and regulatory
- Assessment of the level and quality of risk management
- Reputation of the organisation via independent survey (via IS)
- Assessment of the level of transparency based on website content
- Broad details of annual business and strategic plan
- Detailed listing of all directors and auditor

Measures under the governance dimension are based on the composition of the stakeholder theory of governance (Spitzeck and Hanson, 2010) and the Australian Securities Commission Corporate Governance principles outlined previously in Section 2.7.2. The suggested measures focus on those areas which are the key responsibility of the board of directors namely the performance and conformance of the organisation. The measures seek to identify the planning process, risk management, transparency and regulatory obligations. A number of the suggested
measures are similar to broad descriptions used by Herman and Renz (2008) in their research on board practices in the USA.

(c) Capacity

The suggested capacity measures focus on how the NFP organisation is utilising its financial and human resources. Measures on financial health of the organisation and how efficiently the funds are being used are suggested. Measures on the level of employee and volunteer satisfaction is an important gauge as to whether the NFP organisation is engaging with its workforce and seeking to improve service delivery. A number of the suggested capacity measures are drawn from the academic literature review of performance measurement by Connolly and Kelly (2011) in the UK.

The process for evaluating the suggested organisational effectiveness measures is outlined in Chapter 3 – Research Methodology.

2.11. CONCLUSION

This literature review has highlighted the fact that there has been much academic research on the subject of organisational effectiveness, primarily in the UK, USA and Europe and a number of organisational effectiveness approaches and broad measurement dimensions have been developed by researchers. However, there appears to have been minimal empirical assessment of the measures of organisational effectiveness according to the extensive academic reviews by both Lecy, Schmitz and Swedland (2012) and Liket and Maas (2015). As noted by Balser and McClusky (2005), there appears to be a diversity of approaches to assessing organisational effectiveness, but little agreement within the field about what objective measures would best capture it. This literature review has also revealed that the research on the specific subject of the measurement of organisational effectiveness within Australian NFP organisations appears to be minimal.

This research project will therefore provide an understanding of how NFP management currently measure organisational effectiveness and what measures are sought by stakeholders. In addition, a set of suggested organisational effectiveness measures will be assessed by both NFP management and major stakeholder representatives involved in this empirical study. The methods to be used in this exploratory study will be outlined in Chapter 3.
Figure 2.2. Conceptual Framework for the Measurement of Organisational Effectiveness

**Approaches to Organisational Effectiveness**

- **Goal Attainment**
  - Outcomes
  - Sustainability

- **Strategic Constituencies**
  - Governance
  - Accountability

- **Reputational**
  - Perceptions
  - Transparency

- **Systems Resource**
  - Resource Efficiency
  - Financial Health

**Broad Measurement Dimensions**

- **Outcomes**
  - Client Satisfaction
  - Level of Quality and Services
  - Before and After Measures of Well-Being of Clients
  - Public Value
  - Public Impact
  - Advocacy
  - Benchmarking
  - Social Return on Investment (SROI)

- **Governance**
  - Stakeholder Involvement
  - Legal/Regulatory Conformance
  - Responsiveness
  - Collaboration
  - Quality Accreditation
  - Risk Management

- **Net Promoter Score**
  - Trust
  - Stakeholder Satisfaction
  - Social Responsibility
  - Public Image
  - Credibility
  - Legal, Clinical and Regulatory Compliance

- **Capacity**
  - Working Capital
  - Medium Term Liquidity
  - Level of Funding from Government, Donors, Fundraising
  - Fund Raising Expenses as % of Revenue
    - Employee/Volunteer Turnover
    - Employee/Volunteer Satisfaction
Chapter 3

RESEARCH METHODOLOGY AND METHODS
3.1. INTRODUCTION

This chapter will justify the paradigm chosen to guide this research project and in so doing will detail the ontological, epistemological and methodological assumptions. The research methods used in the research study will be outlined, including the selection of interviewees, the means of data collection, the coding techniques used in sorting and then analysing the data. The findings, and the ethical issues surrounding the collection of the data and the analysis, will be presented at the end of this chapter.

3.2. JUSTIFICATION OF THE PARADIGM, ONTOLOGY AND EPISTEMOLOGY

Given the proposed research questions outlined in chapter 1, an appropriate research paradigm needs to be established, followed by the research methodology to be used. Because paradigms reflect a basic set of philosophical beliefs about the nature of the world, the scientific problems which it presents, and the types of solutions which arise from the research, Veal (2005) notes that “a paradigm provides the guidelines and principles concerning the way the research is conducted within the discipline” (Veal, 2005, p. 24). Paradigms are frameworks for observation and understanding, which shape both what we see and how we understand it (Babbie, 2007). Denzin and Lincoln, based on Kuhn (1970), define a paradigm as a “net that contains the researcher’s ontological, epistemological and methodological premises” (Denzin and Lincoln, 2008, p. 31). The ontological view refers to what we think reality looks like and how we view things, such as actions and behaviours, of subject and object, and of facts and values (Denzin and Lincoln, 2008). The epistemological view explores issues such as what the relationship is between the inquirer and the known. Mason (2002) adds that “it also considers what might represent knowledge or evidence of the social reality, that is investigated and what is counted as evidence” (Mason, 2002, p. 16).

The methodological assumptions refer to how we gain the knowledge about the world and how we collect research data. So, the methodology, that is applied, is embedded in the ontological and epistemological assumptions that underpin the research.
Paradigms

Ontological, epistemological and methodological prescriptions of social research are packaged in paradigms, which guide everyday research (Primecz, Romani and Sackmann, 2009). A set of four distinct sociological paradigms was developed by Burrell and Morgan (1979), who designed these for the analysis of social science and society. Their goal was to provide a reference for the analysis and interpretation of knowledge and society (Welle-Strand and Tjeldvoll (2003). Initially, Burrell and Morgan (1979) conceptualised social science in terms of a specific set of assumptions related to ontology, epistemology, human nature and methodology. The first principal dimension for analysis was two polarised perspectives of the subjectivist and objectivist approaches to the nature of social science. Based on the assumptions about the nature of social science and sociology, the nature of reality and of knowledge are explored in Figure 3.1 below.

<table>
<thead>
<tr>
<th>Figure 3.1</th>
<th>Assumptions about the nature of social science – Burrell and Morgan (1979)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ontological assumptions</strong></td>
<td><strong>Subjective</strong></td>
</tr>
<tr>
<td></td>
<td>Reality is interpreted by the individual.</td>
</tr>
<tr>
<td>Reality is socially constructed (nominalism)</td>
<td></td>
</tr>
<tr>
<td><strong>Epistemological assumptions</strong></td>
<td>Knowledge is relative. Researchers focus on meaning (anti-positivism)</td>
</tr>
<tr>
<td><strong>Assumptions about human nature</strong></td>
<td>Humans possess free will and have autonomy (voluntarism)</td>
</tr>
<tr>
<td><strong>Methodological assumptions</strong></td>
<td>Understanding the world is best done by analysing subjective accounts of the situation. (ideographic)</td>
</tr>
</tbody>
</table>
Based on these assumptions about social science and society, Burrell and Morgan developed four sociological paradigms as detailed in Figure 3.2.

![Figure 3.2](image)

**Figure 3.2**

*Four Sociological Paradigms – Burrell and Morgan (1979)*

<table>
<thead>
<tr>
<th>Subjective Approach to Social Science</th>
<th>Sociology of Radical Change – Radical View Upon Social Change</th>
<th>Objectivist Approach to Social Science</th>
</tr>
</thead>
<tbody>
<tr>
<td>Radical Humanist Paradigm</td>
<td>Radical Structuralist Paradigm</td>
<td>Interpretivist Paradigm</td>
</tr>
<tr>
<td>Interpretivist Paradigm</td>
<td>Functionalist Paradigm</td>
<td></td>
</tr>
</tbody>
</table>

| Sociology of Regulation – Regulated View Upon Social Change |

In summary, the post-positivist/positivist paradigms use ontological assumptions where the “existing reality” is seen differently by different people and use
epistemological assumptions where findings are true or probably true and objective. The critical theory paradigms have historical realism as their ontological assumption and a transaction/subjectivist epistemological assumption. Finally, the constructivism paradigms use ontological assumptions, which are relativist, while the epistemological assumptions are transactional and to an extent, subjectivist, where the findings are created between the researcher and the subject of the research, namely the respondents (Guba and Lincoln, 1994). The researchers, Reason and Bradbury (2001) noted that Guba and Lincoln (1994) talk of constructivism as emphasising an ontologically relativist position, with realities being dependent on the individual person holding the construction. Brand (2009) was of the view that a perspective, from both the constructivist and interpretivist paradigms, will assist research into complex and multidimensional exploratory data, as occur in business enquiries. In a similar way, Burrell and Morgan (1979) contend that interpretivism reflects the belief that the social world exists through the meaning that individuals, within that world, apply to it.

Veal (2005) noted that two of the central paradigms in social science research are the positivist and the interpretivist approaches. The positivist paradigm describes the world as external and objective to the researcher with the researcher seen as being independent of the research they are conducting. This approach has its focus on objective description and explanation. How people and/or organisations act is explained on the basis of facts and observations gathered by the researcher, usually using a quantitative methodology (Veal, 2005). However, the interpretivist paradigm is in stark contrast to the positivist paradigm, as it contends that the researcher is part of the research process, rather than being independent of it.

The interpretivist paradigm sees the social world as being socially constructed and subjective and that the reality, that should be studied, is the views and perceptions of the participants involved in the research study. The researcher attempts to get inside the mind of the participants to see the situation from their perspective. This suggests a more flexible approach to data collection, usually using a qualitative methodology and inductive approach (Veal, 2005). The interpretive paradigm is concerned with understanding the fundamental nature of the social world as it is at the level of subjective experience. This paradigm sees the social world as an emergent social process, which is created by the individuals concerned. As Snape and Spencer (2003) note, this process involves studying the subjective meanings that people attach to their experiences and behaviours and the meanings of social actions within the context in which people live (Snape and Spencer, 2003). As such the interpretivist paradigm
emphasises the importance of interpretation in understanding the social world. In addition, it recognises, as Hennink, Hutter and Bailey (2011), contend, that people’s perceptions and experiences of reality are subjective, so there are many perspectives on reality rather than a single truth as proposed in positivism (Hennink, Hutter and Bailey, 2011).

It is believed that the most appropriate paradigm for this research project is an interpretivist one, because this paradigm sees the social world as an emergent social process, which is created by the individuals participating in it. The assumption is that the world of human affairs is cohesive, ordered and integrated (Burrell and Morgan, 1979). In this research study, the interviewer obtained detailed information and perceptions from senior management personnel, involved in the NFP social services segment, on the subject of organisational effectiveness measurement and its influence on providing improved quality services to those people in need. This research study has been an exploratory one and has been aimed at understanding how managers of NFP social services organisations measure organisational effectiveness and account for their activities, and how stakeholders seek to monitor the effectiveness of these organisations. The researcher has used in depth face-to-face interviews to obtain the views, experiences and perceptions of two separate groups of management personnel involved in the NFP social services segment in the ACT and the surrounding region. Based on the above, this research study has adopted an interpretivist approach.

**Ontological Assumptions**

Ontologies inform methodologies as to the nature of reality or as Brand (2009) noted, ontology deals with how reality is experienced and perceived. This research study focused on how the management of NFP social services organisations in the ACT and the surrounding region actually measure organisational effectiveness. The ontological perspectives considered the underlying perceptions and motivations of the managers and the subjective perceptions of stakeholders as to the quality of the organisational effectiveness measurement process and the governance practices being used in NFP social services organisations. Given that the actual experiences of those participating in the NFP social services segment were obtained, a realist ontology applied.
Epistemological Assumptions

Epistemologies are derived from ontologies but also inform methodologies about the nature of knowledge and the nature of the relationship between the researcher and the reality. The researcher sought to gain an understanding and interpretation of how participants assessed the measurement of organisational effectiveness. The interaction and relationship of the researcher with participants transferred knowledge about the status of organisational effectiveness measurement within the NFP social services segment in the ACT and the surrounding region. According to Brand (2009), when the researcher and the participants are linked so that the findings are literally created through exploratory discussions about the various research questions, a subjectivist or transactional epistemology applies.

Given that this research study was an exploratory one and involved the researcher obtaining detailed information from the respondents in face-to-face interviews, the researcher believes that an interpretivist paradigm and subjective epistemology are the most appropriate for this research study.

3.3. JUSTIFICATION OF THE METHODOLOGY

According to Sarantakos (2005), “the research methodology is one that translates the ontological and epistemological principles into guidelines and shows how the research is to be conducted. Ontologies inform methodologies about the nature of reality, whilst epistemologies inform methodologies about the nature of knowledge” (Sarantakos, 2005, p. 31). The methodology represents a set of theoretical principles that guide the research, and depends on the specific research questions. As detailed in Chapter 1, this research study’s questions/issues are concerned with exploring and describing the type and quality of organisational effectiveness measurement being used in NFP social services organisations as well as, understanding the subjective attitudes, views and perceptions of the most senior managers of these NFP organisations and also of their stakeholders, including management personnel from the Government Departments of Social Services and various advocacy groups.

Given that the interpretivist paradigm has been chosen for this research study, this inspired the use of qualitative research as this type of research enabled the researcher to develop a relationship with the participants, explore with them all the aspects of the research questions and gain a deep understanding of how the measurement of organisational effectiveness has been carried out within these NFP social services organisations. A qualitative methodology was used as the participants
were able to express their views. This methodology enabled exploratory theory building rather than theory testing. It also provided an appropriate way of understanding the behaviour, perceptions and the experiences of the research participants and delving into the meaning behind the decisions taken by the management of NFP organisations regarding the measurement of organisational effectiveness. At the core of qualitative research is the concept of studying people’s lived experiences, which occur in a specific historical and social context (Snape and Spencer, 2003). A qualitative research methodology involves induction, discovery, exploration and hypothesis generation, namely of organisational effectiveness measurement, and has the researcher as the prime person engaged in the data collection (Johnson and Onwuegbuzie, 2004).

As Finlay and Gouch (2003) noted, the subjective views of the participants and the researcher are brought together in the interview process with each party contributing to the co-construction of reality during the interview process (Finlay and Gouch 2003). In addition, Johnson and Onwuegbuzie state that “the results from qualitative research are more easily influenced by the researcher’s personal biases and these need to be taken into account in the interpretation of the findings” (Johnson and Onwuegbuzie, 2004, p. 16).

As this is a relatively small exploratory study, the qualitative information gained from this research study will not be able to be generalised to other NFP social services organisations around Australia. In addition, predictions about the incidence of present day organisational effectiveness measurement practices or the applicability of the proposed set of organisational effectiveness measures, will not be possible until a much larger study is done in the other states of Australia.

3.4. RESEARCH METHODS

The research method is the means by which data is collected and in fact how reality is discussed. The main criteria for qualitative methods include a lack of strict structure, the capture of reality in action, close contact between the researcher and the respondent and the collection of in depth information (Hennink, Hutter and Bailey, 2011). There are five broad approaches to qualitative research, namely, informal and in-depth interviews, group interviews or focus groups, participant observation, ethnography and biographical research (Veal, 2005). The method of in-depth interviews with semi-structured and open-ended questions is judged by Yin (1994) to
be valuable for exploratory research as this process gathers a detailed account of each individual’s experiences and perceptions in order to bring rich meaning to the research findings (Yin, 1994).

The method of in-depth interviews was used in this research study and involved the researcher preparing an interview guide, conducting in-depth, one-on-one interviews with the management and boards of directors of a number of NFP organisation and the senior management of stakeholders, including those working in the Commonwealth of Australia Department of Social Services, the ACT Social Services Directorate and the Australian Charities and Not-for-profit Commission, analysing the data and finally preparing the findings.

**Pilot Testing**

Prior to commencing the actual interview phase of this research, a pilot study was carried out to ensure that the researcher had addressed the research questions, outlined in Chapter 1, in the most appropriate manner. The researcher reviewed the academic literature and prepared a preliminary semi-structured questionnaire along with a proposed set of organisational effectiveness measures, focused on outcomes accountability, governance and capacity.

The pilot test was conducted with the CEO of the largest NFP social services organisation operating in the ACT and the surrounding region in December 2014. This NFP organisation had an annual revenue of some $60 million in 2014, employed over 600 FTE employees, had some 700 volunteers and provided services in the areas of foster care, youth services, community aged care, homelessness, disability and child care. This face-to-face interview focused on the key issues facing the NFP social services segment in the ACT and the surrounding region, the current performance measurement process, board governance practices and the future strategies aimed at improving overall performance and effectiveness. The detailed information from this CEO was extremely helpful and slight modifications were made to the format of the semi-structured questionnaire and the organisational effectiveness measures.

**Preparation of the interview guide**

The researcher then developed a separate semi-structured questionnaire for the senior management of the NFP organisations to be involved in the study and a slightly different one for the senior management of the stakeholder organisations and
these are detailed in Appendix 1 and Appendix 2. In addition, the researcher prepared a set of proposed organisational effectiveness measures, based on the literature review data and the conceptual framework of organisational effectiveness measures, which was outlined at the end of Chapter 2. The measures were broken into the broad categories of outcomes accountability, governance and capacity. The classification of outcomes accountability was derived from research by Mitchell (2013), who found that 82% of 152 leaders of large non-profit organisations in the USA, stated that the term ‘outcomes accountability’ best defines organisational effectiveness because it signifies measurable progress towards specific outcomes or the attainment of goals. It also measures changes in behaviour/capabilities/attitudes as well as demonstrating achievement of its mission to stakeholders. A further 15% of the sample defined organisational effectiveness as ‘overhead minimisation’ and focused on various financial efficiencies (Mitchell, 2013).

The classification of governance was derived from research conducted by Green and Griesinger (1996), Brown (2002), Herman and Renz (2008) and Spitzeck and Hansen (2010), who all highlighted the importance of a good quality board governance process to ensure sound performance and conformance to regulations. They also found a strong link between the performance of the board directors and organisational effectiveness.

Finally, the classification of capacity was derived from the research of Saxton and Guo (2011), who found that capacity (i.e. financial/ human resource measures) was the dominant factor in their model of accountability, over and above the other factors of strategy (i.e. stakeholder focus), governance (i.e. board structure) and environment (i.e. resources). Further, Le Roux and Wright (2010) noted that multiple performance measures, such as outcomes, financial data and customer satisfaction, were required to track overall performance.

As part of the interview guide (which is set out in Appendices 1 & 2) a brief letter was prepared outlining the purpose and nature of the research study, together with an invitation to participate in the interview process. The researcher identified all the medium to large NFP social services organisations, as well as all the relevant Government departments and advocacy groups operating in the ACT and the surrounding region.
Invitation to participate

A letter, under the Charles Sturt University letterhead, and an invitation to participate were sent out to some 30 NFP and stakeholder organisations in the ACT. The researcher followed up with these organisations to arrange a convenient time and place to meet the relevant CEOs. Unfortunately, most of the organisations claimed that they had not received the letter and the invitation to participate. The researcher then decided to prepare an email version of the letter, an information sheet about the research study and an invitation to participate. This was sent to the same set of CEO’s and management personnel. The response to these emails was very favourable and the researcher then proceeded to arrange suitable interview dates and times with all those wishing to participate in the research study.

3. 5. DATA COLLECTION

3. 5. 1. Sample Composition

NFP Social Services Organisations

Recruitment of the sample for a research study needs to ensure that the most appropriate participants with the expertise, experience and skills set necessary to make an informed and worthwhile contribution to the research topic, are invited to be involved. Qualitative research tends to use non-random methods of participant selection and this is known as purposive recruitment (Flick, 2009). The purposive recruitment sampling strategy was used in this research study as it enabled those CEOs, who were deeply involved in the NFP social services segment in the ACT and the surrounding region, to identify their willingness to participate in the exploratory study. The benefit of this strategy was that almost all the executives chosen for this study worked in Canberra, the national capital of Australia, where the relevant Commonwealth of Australia Department and ACT Government offices and major advocacy groups are based. It was deemed more appropriate to choose medium to large NFP social services organisations that operated in the ACT and the surrounding region and had an annual revenue above $3 million, as this denoted that the organisation had a reasonably sized staff and volunteer base and provided a range of social services to customers.

In addition, all these organisations were associated with partner NFP organisations in other states of Australia, which were also engaged in the provision of similar social services. These organisations communicated regularly with each other.
on all the issues related to the management of the provision of social services. Apart from Mission Australia, Baptist Care and the Smith Family, all the other organisations operated with a local independent CEO reporting to a board of directors. The other managers were required to refer matters related to the overall management of their organisations to a CEO located in one of the capital cities of Australia. Table 3.4 below contains details of all nine participating NFP social services organisations, together with their annual revenue, level of Government funding, number of FTE staff and the types of social services provided to customers.

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Revenue 2014/15 (mil)</th>
<th>% Govt. funding</th>
<th>FTE (est) 2014/15</th>
<th>Type of Social Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anglicare (ACT, South and Western NSW) [1]</td>
<td>51.0</td>
<td>68</td>
<td>395</td>
<td>a,b,c,d,e,f,g,i,j,k,p</td>
</tr>
<tr>
<td>Baptist Care (NSW, ACT) [2]</td>
<td>250.0</td>
<td>80</td>
<td>4,000</td>
<td>a,b,c,d,e,h,k,p</td>
</tr>
<tr>
<td>Barnardos (ACT) [3]</td>
<td>19.0</td>
<td>95</td>
<td>106</td>
<td>a,e,j</td>
</tr>
<tr>
<td>Catholic Care (ACT) [4]</td>
<td>16.0</td>
<td>92</td>
<td>250</td>
<td>a,b,d,e,f,h,i,k,p</td>
</tr>
<tr>
<td>Communities at Work (ACT) [5]</td>
<td>33.0</td>
<td>25</td>
<td>700</td>
<td>a,d,e,f,g,i,l,n,p</td>
</tr>
<tr>
<td>Marymead (ACT) [6]</td>
<td>14.0</td>
<td>74</td>
<td>150</td>
<td>a,c,d,e,j,o,p</td>
</tr>
<tr>
<td>Mission Australia (NSW, ACT) [7]</td>
<td>338.0</td>
<td>71</td>
<td>2981</td>
<td>a,b,d,e,l,m,n,p</td>
</tr>
<tr>
<td>Smith Family (ACT) [8]</td>
<td>3.0 (est)</td>
<td>40</td>
<td>10</td>
<td>a,e,l,o,p</td>
</tr>
<tr>
<td>St Vincent de Paul (ACT) [9a,9b]</td>
<td>15.0</td>
<td>50</td>
<td>100</td>
<td>a,b,c,d,e,f,i</td>
</tr>
</tbody>
</table>

- The number in brackets refers to the C.E.O. or Director of the organisation providing the verbatim quotes detailed in the following summary of the research findings. The comments are coded as NFP-Number 1-9b.

- Type of services offered by each organisation are listed alongside each organisation: (a) youth and family services, (b) homelessness, (c) in home care, (d) disability services, (e) resources for disadvantaged and vulnerable people, (f) mental health, (g) Child care, (h) aged care,(i) drug and alcohol misuse, domestic violence and suicide, (j) foster care, (k) retirement living, (l) job training, (m) youth homelessness, (n) employment services, (o) education support for disadvantaged youth,( p) Counselling.
Each of the organisations, based locally in Canberra, was represented by their Chief Executive Officer (CEO), whilst in the case of Mission Australia, Baptist Care and the Smith Family, the senior management person responsible for the ACT and the surrounding region, was invited to be involved in the interview process. All the interviews were conducted in Canberra on a face to face basis with all but two of these executives. In the case of these two executives, they were not planning to be present in Canberra in the short term and so the interview guide, including the consent form, questionnaire and the proposed set of organisational effectiveness measures, was emailed to each of them. This material was used by these executives during the discussions which were conducted over the phone by the researcher. The series of interviews began in June 2015 and concluded in February 2016. The executive positions held by each of these senior managers and the type of interview conducted, are set out in Table 3.5 below.

<table>
<thead>
<tr>
<th>NFP Organisation</th>
<th>Position Held</th>
<th>Est Time position held</th>
<th>Type of interview</th>
<th>Gender</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anglicare ACT, NSW, south west</td>
<td>CEO</td>
<td>&gt;5y</td>
<td>Face to face</td>
<td>M</td>
</tr>
<tr>
<td>Baptist Care (NSW/ACT)</td>
<td>GM. – Home Services</td>
<td>n/a</td>
<td>Telephone</td>
<td>M</td>
</tr>
<tr>
<td>Barnardos (ACT)</td>
<td>Senior Manager</td>
<td>&gt;5y</td>
<td>Face to face</td>
<td>F</td>
</tr>
<tr>
<td>Catholic Care (ACT)</td>
<td>CEO</td>
<td>&gt;3y</td>
<td>Face to face</td>
<td>F</td>
</tr>
<tr>
<td>Communities at Work</td>
<td>CEO</td>
<td>&gt;5y</td>
<td>Face to face</td>
<td>F</td>
</tr>
<tr>
<td>Marymead (ACT)</td>
<td>CEO</td>
<td>&gt;1y</td>
<td>Face to face</td>
<td>F</td>
</tr>
<tr>
<td>Mission Australia (NSW/ACT)</td>
<td>Executive Director</td>
<td>n/a</td>
<td>Telephone</td>
<td>M</td>
</tr>
<tr>
<td>Smith Family (ACT, NSW south)</td>
<td>Regional Program Manager</td>
<td>&gt;5y</td>
<td>Face to face</td>
<td>F</td>
</tr>
<tr>
<td>St Vincent de Paul (ACT)</td>
<td>CEO and a Director</td>
<td>&gt;5y</td>
<td>Face to face</td>
<td>M</td>
</tr>
</tbody>
</table>
Stakeholder Organisations

Given that Canberra is the capital of Australia, all the major advocacy and lobby groups are located in the city so as to enable easy access to Commonwealth of Australia Government Departments and politicians. It was appropriate therefore that representatives from these groups could be invited to participate in face to face interviews on the subject of NFP social services organisational effectiveness measurement. In addition to such peak advocacy groups as the Council of Social Services, National Disability Services and the Carers Association, senior executives from the Commonwealth of Australia Department of Social Services and the ACT Community Services Directorate were all able to participate in the face-to-face interviews. Senior executives from the Australian Charities and Not-for-profit Commission and the Association of Children’s Welfare Agencies, whose offices were in Melbourne and Sydney respectively, were able to be involved via lengthy telephone interviews. This series of interviews began in May 2015 and concluded in February 2016. Details of the positions held by each of the participants from these stakeholder organisations and the type of interview conducted, are set out in Table 3.6. below.
## Table 3.6.
Participants from Stakeholder organisations associated with NFP social services segment

<table>
<thead>
<tr>
<th>Stakeholder Organisation</th>
<th>Position Held</th>
<th>Years held</th>
<th>Type of Interview</th>
<th>Gender</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACT Carers Association</td>
<td>CEO</td>
<td>&gt;5y</td>
<td>Face to face</td>
<td>F</td>
</tr>
<tr>
<td>ACT Community Services Directorate</td>
<td>Executive Director</td>
<td>&gt;5y</td>
<td>Face to face</td>
<td>F</td>
</tr>
<tr>
<td>ACT Council of Social Services</td>
<td>Executive Director</td>
<td>&gt;5y</td>
<td>Face to face</td>
<td>F</td>
</tr>
<tr>
<td>Anglicare Australia (peak body)</td>
<td>Executive Director</td>
<td>&gt;5y</td>
<td>Face to face</td>
<td>F</td>
</tr>
<tr>
<td>Association of Children’s Welfare Agencies</td>
<td>CEO</td>
<td>n/a</td>
<td>Telephone</td>
<td>M</td>
</tr>
<tr>
<td>Australian Charities and Not for Profit Commission</td>
<td>Assistant Commissioner</td>
<td>&gt;5y</td>
<td>Telephone</td>
<td>M</td>
</tr>
<tr>
<td>Commonwealth of Australia Dept. of Social Services</td>
<td>Branch Manager &amp; IT Manager, Program Strategy, Program Office</td>
<td>n/a</td>
<td>Face to face</td>
<td>F,M</td>
</tr>
<tr>
<td>Health Care Consumers’ Association ACT</td>
<td>Executive Director</td>
<td>&gt;2y</td>
<td>Face to face</td>
<td>F</td>
</tr>
<tr>
<td>National Disability Services ACT</td>
<td>Manager</td>
<td>&gt;2y</td>
<td>Face to face</td>
<td>M</td>
</tr>
<tr>
<td>St John’s Care ACT</td>
<td>CEO</td>
<td>&gt;5y</td>
<td>Face to face</td>
<td>F</td>
</tr>
</tbody>
</table>

### Details of Stakeholder Organisations

Each of the stakeholder organisations involved in the sample, has played an important part in the development of the overall NFP social services segment. A brief description of each of these organisations together with details of their principal activities and annual revenue, is detailed below

**Carers Association (ACT) (ST-21)**

This is part of an Australia wide non-government body that campaigns with and for carers and advocates for the support they need. Carers Association of Australia was launched in 1993 and provides services to carers and the people they care for. It
receives funds from State/Territory and Federal governments via grants and from other sponsors, partners and donors.


**ACT Council of Social Services (ACT) (ST-22)**

ACT COSS is the peak body for people living with a disability as well as for not-for-profit community organisations in the ACT. ACT COSS is part of a national body seeking justice, equity, social inclusion and reconciliation and receives funding from organisations, corporates, governments and statutory bodies as well as individuals.


**National Disability Services (ACT) (ST-23)**

National Disability Services is part of a national body which is a public benevolent institution. It provides support and advocacy and is one of the principal advice sources for those seeking to enter the National Disability Insurance Scheme.

**Health Care Consumers’ Association (ACT) (ST- 24)**

Health Care Consumers’ Association (ACT) is a health promotion charity and the peak health consumer advocacy body in the ACT supporting and developing health consumer perspectives and policy in the Territory since 1978. It strives to improve the quality and accountability of health services by providing health care consumers with the opportunity to participate in policy, planning and service delivery decisions. It is funded by the ACT Health Directorate (86%) and donations.

– Revenue 2015/16 $242 K; 2014/15 $191 K.

**Association of Children’s Welfare Agencies (ST- 25)**

This association represents the voice of N.S.W. non-government community services agencies, that deliver services to vulnerable children, young people and families. It seeks to bring about positive reform that will deliver better outcomes to the lives of children and young people, including those living in out of home care.
Commonwealth of Australia Department of Social Services (ST -26)

This department is the social services policy agency of the Australian Federal Government tasked with improving the lifetime well-being of people and families in Australia. It consists of a number of portfolio sections, that cover families, children, seniors, housing support, communities, vulnerable people and those with a disability, including mental health and carers.


ACT Government Community Services Directorate (ST-27)

ACT Department of Social Services is called the ACT Community Services Directorate and is responsible to the ACT government for a wide range of human service functions, including community services, support for families, youth and older people, homelessness, multi-cultural affairs and the ACT office for Disability.


Australian Charities and Not-for-profits Commission (ACNC) (ST- 28)

The A.C.N.C. was established in December 2012 and is a Commonwealth Government body within the Commonwealth Department of Taxation. The ACNC is the independent regulator of charities and aims to maintain, protect and enhance public trust and confidence through increased accountability and transparency. The ACNC also supports the independent not-for-profit sector and assists the public understand the work of the NFP sector through information, guidance, advice and support. The ACNC has legislative control over charities, however it does not have this over NFP Organisations at the time of the in-field interviews.

Anglicare Australia (ST- 29)

Anglicare Australia, based in Canberra, is the peak Australia wide social services advocacy body of the Anglican Church, and it seeks to influence the national social and economic policy debate concerning the most disadvantaged in our society. The Anglicare Australia network comprises 40 agencies providing over 50 social services and each agency, such as Anglicare (ACT and south and west NSW) operates independently. The network had a joint revenue of $1.06 billion in 2014/15 and received 72% of its income from Government sources (e.g. Commonwealth at 39%
and State/Territories at 33%). The principal services of the agencies include emergency relief, family and child support, disability and aged care services, foster care and counselling.

**St John’s Care (ACT) (ST- 30)**

St John’s Care is a public benevolent institution and acts as a relief drop in centre for disadvantaged and homeless people in the heart of Canberra. It had a budget of $350,000 in 2016/17 with all funds provided by donations. There is 1 full time and 2 part time staff and some 20 volunteers that provide assistance to some 40-50 families each week with food, clothing, financial support and counselling. A number of the volunteers are also carers. The CEO of St John’s Care Reid, Canberra was also a carer for her elderly mother, who was in the care of a NFP social services organisation.

Finally, there were a total of 21 participants in the sample. In the analysis phase, the researcher developed a numbering system, shown in parenthesis alongside each organisation, to associate the quotations of the respondents with their organisation. In the case of the NFP organisations, they were identified by a NFP number, such as Baptist Care (NFP 2). For the stakeholder organisations, they were identified by a ST number such as the Australian Charities and Not-for-profit Commission (ST-28).

**3.5.2. The Interview Process**

Over 80% of the interviews were face to face and these were undertaken with the participants in their own familiar office environment, so as to ensure a sense of comfort and increased participation. This enabled a more productive relationship between the researcher and the participants and facilitated more descriptive data gathering (Veal, 2005). A small number of topical probes were added to the interview guide so as to remind the researcher to ask about specific topics and ensure that detailed information was collected on all the issues of interest (e.g. under question 103 “important issues facing the segment”). These topical probes included such things as asking respondents for additional information about a lack of funding, a lack of coordination with and between Government departments and the level of feedback obtained from employees and volunteers.

During each interview, the researcher provided motivational probes, where necessary, to demonstrate that the researcher was listening and understanding the interviewee’s comments and was encouraging the respondent to continue. Apart from the verbal comments, such as “Uh huh” or “OK, the researcher used non-verbal signs,
such as eye contact and nodding to encourage the interviewee to continue providing feedback (Hennink, Hutter and Bailey, 2011). Extensive probing was used to encourage respondents to elaborate on their responses and provide meaningful information. This approach ensured that the data obtained, was relevant to the research questions (Whyte, 1982).

An important part of the interview process was to ensure that the researcher built a quick rapport with each participant. Silverman (2006) noted that active listening assists in achieving empathy with participants and allows the researcher to bring out the experiences and views of all respondents. The fact that the researcher was a director and volunteer in a large NFP social services organisation at the time of the interviews, enabled a positive relationship to be developed between the researcher and the respondents, because the respondents could sense that the researcher had empathy with the various issues and challenges that they were facing in the NFP social services segment. This greatly benefitted the quality of communication and information gathered during the interview process.

Two slightly different questionnaires (see Appendix 1 and Appendix 2) were used for the two groups of participants. In the first questionnaire relating to the NFP organisations, the variation was the inclusion of questions focusing on the measures of organisational effectiveness and governance practices currently being used by those NFP organisations in the sample. In the second questionnaire relating to the external stakeholders, the only variation was the inclusion of questions focusing on what type of organisational effectiveness measures and governance practices would stakeholders be keen to see in the future. Clearly, stakeholders were not in a position to know what organisational effectiveness measures were currently used by NFP social services organisations and so could not make a valid response to this question. Each of the interviews were conducted over a 60-90 minute time frame and at the end of the formal interview, each respondent was requested to rank, on a separate sheet of paper, the importance or otherwise of each of the 22 organisational effectiveness capability assessment measures, which were classified under outcomes accountability, governance and capacity and are detailed in Appendix 3. Each interview was recorded on a voice recorder and later transcribed onto a word document on the computer. The researcher also kept extensive notes during the interview.
3.6. DATA ANALYSIS

The process of qualitative data analysis enables the researcher to identify the unique perspectives of the participants in the study and form an evidence-based understanding of the responses to the research issues. The process involves explaining and interpreting the various human experiences which require some degree of uncovering personal, social and cultural meanings that influence human behavior. As noted by Charmaz (2006), for a theory or explanation of the issues to be valid, the explanation needs to be well supported or “grounded” by data. Therefore, validating the theory relies on consistently returning to the data during the analysis phase and referring to the comments made by all participants. The grounded theory approach is clearly associated with the interpretive paradigm which is the one outlined in detail in Section 3.2 of this dissertation.

Hennink et al. (2011) detailed that the process of grounded theory analysis covers tasks such as preparing verbatim transcripts, developing codes and categories, creating themes or concepts and developing assertions or theories. The data analysis of this research began with the participants’ own words, phrases and expressions being captured on a voice recorder along with that of the researcher during the interview stage. All the 19 interviews with the 21 participants were then transcribed into a word document and speakers were identified by a letter with “P” denoting the participant and where there were two respondents they were identified as “P1” and “P2”. “I” denoted the interviewer. These transcripts produced a word for word replica of the words spoken throughout the interview.

The transcripts were sorted into two groups, representing the participants from the NFP social services organisations and those representing the stakeholder organisations. Each group of participants’ responses were then analysed in the first cycle of the coding process. To ensure subjectivity, transparency and the inclusion of all the transcribed data, the research technique of content analysis was used as this sets about creating inductive codes that can be applied to the actual transcripts in order to develop data into meaningful categories to be further analysed and interpreted (Blair, 2015).

The researcher began the transcription process after the first few interviews had been conducted to ensure that the researcher could identify any unexpected issues which should be added to the interview guide for subsequent interviews. The researcher had however, conducted a draft interview with the CEO of the ACT’s largest NFP social services organization some months prior to finalizing the interview.
guide. A number of issues were raised at that point and modifications were made to
the final interview guide that was then taken into the field and no further modifications
or additions were required.

Once the transcriptions and the labelling of each interview had been
completed, the next stage in the data analysis process involved the creation of codes
and eventually categories and themes. The process of data coding and analysis
followed the model proposed by Saldana (2009), which is set out below.

Streamlined Codes to Theory Model for Qualitative Inquiry

The Coding Manual for Qualitative Research (2009), Saldana J., page 12
Figure 3.4.
The data coding process involved using a short word or phrase to describe the meaning and content of the phrase or whole sentence. This involved creating identifying codes and grouping them into overarching categories, identifying empirically supported links between these categories in a process of conceptualisation and then, finally, developing and constructing an explanatory set of assertions for the research topic (Hennink et al., 2011). This process enabled the broad research topic of the performance management and measurement processes used within the NFP social services segment to be addressed. The resultant themes around effectiveness, outcomes accountability, governance and long term sustainability were found to be similar for each of the participating groups. This, in turn, led to their broad agreement as to the relevance, importance and value of the draft organisational effectiveness measures which were proposed by the researcher at the conclusion of each interview.

Two approaches to the coding of the content were detailed by Stemler (2001), namely a priori coding where codes were created beforehand and emergent coding where codes are drawn from the transcripts. The latter approach was deemed to be the most appropriate because codes were created based on the participant’s actual comments (e.g. “we set specific targets” and “financial data is always measured”). This emergent coding technique is drawn from grounded theory methodology (Strauss and Corbin, 1998) and enables participant-generated language to be used to provide codes from within the collected data. In attempting to eliminate any sense of researcher bias, a selection of verbatim quotes from participants was incorporated into the findings chapter of this thesis.

During the manual process of data coding, these interview transcripts and verbatim quotes were reviewed a number of times so that the various coded data could be reduced into categories. The codes and categories were entered into a codebook for each of the participating groups. The researcher then grouped similarly coded data into categories which shared a similar characteristic (e.g., “performance improvement”). The intuitive senses and management experience of the researcher determined which data “look alike” and “feel alike” and these were grouped together into categories (Lincoln and Guba, 1985, p. 34). Some of the categories contained larger related clusters of coded data and these merited further refinement into subcategories as shown in the Saldana model above. The major categories were compared with each other and consolidated where possible. This led to the development of broader concepts or themes, especially around organizational effectiveness, outcomes accountability, governance and capacity sustainability within the social services sector. Therefore,
the coding process, using the raw statements from participants, enabled the
development of these meaningful categories which could be connected to form themes
(Rubin and Rubin, 1995).

It was vitally important to be able to compare and contrast the views of the
CEOs of the NFP organisations against those of the senior executives of the major
shareholders, including the Commonwealth of Australia and ACT Government Social
Services Departments and the advocacy groups. Throughout the process of data
collection, the researcher recorded reflective notes about what was being learned from
the data. The researcher was aware that some stakeholders were influenced by
political considerations, however they also considered the wider social implications.
The researcher sought to find the balance between comprehensive reflexivity and
becoming too analytical (Hesse-Biber and Leavy, 2006). The researcher was also
aware of his own values and self-identity. This reflexivity process assisted in the
creation of potential overreaching themes at the end of the data analysis stage (Green
and Thorogood, 2004). Following this conceptualization process, the final step was to
construct an exploratory framework or set of assertions around the theory of
performance management.

Based on the data provided, the researcher was able to explore how NFP
organisations were presently measuring or not measuring organizational effectiveness
and what type of information was being sought by their clients, potential clients, carers,
donors and other stakeholders and to identify any differences in order to assess the
quality of the service delivery outcomes and the real contribution being made by these
NFP organisations to society. This process of analyzing the data led the researcher to
develop a view on how an organisational effectiveness measurement assessment might
be used in the future and how these organisations could demonstrate their outcomes
accountability, governance and capacity capability to their client/carers and
stakeholders more appropriately using this assessment.

The final step in the research was the presentation to each respondent of a
draft of the organisational effectiveness measures that had been developed by the
researcher following an extensive literature review of the subject of organisational
effectiveness measurement. Respondents were asked to rank the importance they
attached to each of these measures. The rankings were then compared to identify any
significant differences on how respondents ranked the various organisational
effectiveness measures. These rankings are displayed in Figures 4.3, 4.4 and 4.5.
The information gathered in this research study has not been shared between the researcher and the participants, however, all respondents were invited to receive a copy of the transcript of their interview in order to check its accuracy before the analysis of the data took place. Only two of the interviewees, namely those representatives from the Commonwealth of Australia Department of Social Services took advantage of this opportunity and in due course these interviewees formally advised the researcher that the particular transcript which had been sent to them did in fact reflect a true and complete record of the interview. All participants were advised that a brief summary of the findings would be forwarded to all respondents following the approval of the dissertation and subject to the approval of Charles Sturt University.

Finally, before deciding on the use of a manual process for coding data, consideration was given to the use of electronic methods of coding data such as NVivo and Leximancer. These software tools import and handle documents saved in a rich text format that enables various coding devices to be used. The tools are proficient in rapidly and comprehensively sorting and segmenting the field data and then retrieving marked data and placing it into specific segments. However, these computer and text analysis packages do not do the analysis for the researcher.

The manual process was decided upon for a number of specific reasons. Firstly, this was an exploratory research project and the researcher did not want the analysis to be influenced by the use of a predetermined and pre-prepared list of codes and categories such as those required by software packages. By contrast, the researcher was keen to use a participant generated set of codes which were grounded in the data found in the transcripts of each interview (Charmaz, 2006). This approach adds to the credibility and transparency of the codes and categories that evolved during the data analysis process.

The second reason for selecting the manual process was based on research by Basit (2003) who noted that a computer software approach to qualitative data analysis might be better suited to those who wish to ultimately quantify their data. This was not consistent with the researcher’s objective which was to start with a small qualitative study in one small city and regional area and then take the findings into a larger qualitative study with senior executives operating in the NFP social services segments in other major cities in Australia and overseas.
3.7. EVALUATION OF THE QUALITATIVE RESEARCH

For this research study to have value and meaning, it must be able to withstand scrutiny and be found to be a true and accurate record of the information exchange between the researcher and the participants. This can be done by testing the reliability and validity of the research. Babbie (2007) noted that reliability connotes dependability or consistency and is the process of achieving similar findings when re-applying the research questions in a different situation (Babbie, 2007). Reliability is easiest to achieve when precise questions are used and measures are precise and observable. Validity is the extent to which the data collected truly reflects the phenomenon being studied (Veal, 2005). Validity means the data is truthful and this involves proving that the research method has successfully measured what it was designed to test. The truthfulness of the research findings is influenced by the trustworthiness of those participants providing the information and the honesty with which they answer the questions. This was endorsed by Lincoln and Guba (1985), who noted that trustworthiness is addressed through the selection of the research participants, who are willing to co-operate in the study (Lincoln and Guba, 1985). All the participants in this research study were very willing to be involved and as all of them held senior management positions in their organisations, the researcher was confident that they would address the research questions in an honest and straightforward manner and provide truthful information about the issues facing the NFP social services segment in the ACT and the surrounding region.

Whilst the purpose of quantitative research is to quantify the meaning and experiences of a large number of participants through objective and numerical results, qualitative research seeks to gain in depth descriptions verbally in a detailed and complete form, rather than in numbers. Because quantitative and qualitative research differ in their methodological approach, there are different criteria to judge each (Cope, 2014). Whilst reliability and validity tend to be used for quantitative research, Lincoln and Guba (1985) established a number of criteria to support trustworthiness in qualitative research. Their criteria were;

- credibility
- dependability
- confirmability
- transferability
Credibility to the qualitative researcher is what validity is to the quantitative researcher, as it refers to the representation of the participant’s actual views and expressions (Polit and Beck, 2012). Lincoln and Guba (1985) argue that ensuring credibility is one of the most important factors in establishing trustworthiness. The responses of participants reflect their knowledge, attitudes and opinions and the usability and significance of these responses are determined by how these participants perceive their surroundings and their positions within these surroundings and these will shape their attitudes and responses to the questions (Bolman and Deal, 2003). The enthusiastic response of all the participants to be involved in this exploratory study gave the researcher confidence that the contribution of these respondents during the interview process would result in valuable, truthful and worthwhile insights from each of them. As both Veal (2005) and Yin (1994) commented, the role played by the researcher is vital as the researcher must ensure the integrity of the research by minimising any unnecessary influences. The credibility of the research is enhanced by the direct involvement of the researcher in the process. In this research study, the researcher personally conducted all the 17 face to face interviews and the additional four telephone interviews with the participants and all the interviews were recorded on a tape recorder and transferred into word documents that were later stored on a computer disc and kept in a secure file. Given that all the participants were real people, the research represented reality and thus was valid (Blaxter, Hughes and Tight, 1996). A further means of ensuring credibility was that, at the conclusion of the in-depth interview, the researcher invited all participants to receive a copy of the transcript of their interview in order to test for its accuracy. The two respondents from the Commonwealth of Australia Department of Social Services made a request for a copy of their transcript, and this was forwarded to them by the researcher, before the data analysis phase commenced. These participants later confirmed via email that their transcript was a true and accurate record of the interview between them and the researcher.

Dependability refers to the constancy of the data over similar conditions. A research study is deemed dependable if the findings are replicated with similar participants in similar conditions (Polit and Beck, 2012). Lincoln and Guba (1985) stress the close ties between credibility and dependency. The research design, methods and associated documentation need to be thoroughly detailed in order to allow a future
researcher to repeat the study and obtain similar results (Shenton, 2004). In qualitative research, data uniformity is difficult to achieve, particularly when the approach is unstructured (Silverman, 2006). In this research study, the researcher used two almost identical semi structured questionnaires to guide the discussion with each of the two groups of respondents. The interactive relationship between the researcher and the participants was crucial to the data collection process as it provided an insider’s view of the happenings within the NFP social services segment in the ACT and the surrounding region. In this research study, all participants were requested to rank the importance of the proposed organisational effectiveness measures. The fact that all but two of the twenty-two measures proposed by the researcher were regarded by all the participants as being very important or important reflected positively on the composition of the measures and added to the validity of the responses regarding these organisational effectiveness measures.

Confirmability refers to the researcher’s ability to demonstrate that the data represents the direct responses of the participants and not the viewpoints of the researcher (Lincoln and Guba, 1985). Confirmability is associated with objectivity and the need for the research to ensure that the findings are a result of the experiences and ideas of the participants and not the preferences of the researcher (Shenton, 2004). As noted by Sarantakos (2005), confirmability often replaces objectivity by determining the extent to which the research method meets the research goals (Sarantakos, 2005). Critical to the degree of confirmability is the existence of a clear audit trail which allows an outsider to trace all the steps of the research. It needs to show all the steps taken in the initial sample selection, questionnaires preparation, and the detailed transcripts and notes flowing from the interview process. In this research study, the researcher kept a verbal record of each of the interviews via a tape recorder as well as a written transcript of each interview plus personal notes on each interview. This facilitated the use of a number of specific quotations from the participants and these were incorporated into the body of the Analysis of Data section of this dissertation.

Transferability refers to the way the findings can be referred to other groups (Polit and Beck, 2012). As the findings of a qualitative study are specific to a small number of individuals, it is impossible to demonstrate that the findings and conclusions are applicable to other situations (Shenton 2004). Lincoln and Guba (1985) suggest that it is the responsibility of the researcher to ensure that sufficient contextual information about all facets of the fieldwork are available to enable a reader to make such a transfer. They maintain that the researcher knows only the context of the actual
situations and therefore cannot make transferable inferences (Lincoln and Guba, 1985). The reader must therefore determine how far they can be confident in transferring the findings to other situations (Shenton 2004). In this research study, there was sufficient information about the situation however as this was an exploratory study in the ACT and the surrounding region, there will need to be fieldwork conducted in the other states of Australia in the NFP social services segment using the same questions and research methods to determine if the findings of this research study are fully transferable.

Authenticity means giving a fair, honest and balanced account of social life from the standpoint of someone, who lives and feels it every day (Guba and Lincoln, 1994). It refers to the ability and extent to which the researcher documents the feelings, experiences and emotions of the participants in a faithful manner (Polit and Beck, 2012). Veal (2005) expressed the view that the researcher has the responsibility to ascertain the motivations of the participants to be involved in the research study and also note the level of their engagement in the interview itself based on the nature of their responses (Veal, 2005). Prolonged engagement is the process of building trust and rapport with the respondents in order to foster rich detailed responses (Lincoln and Guba, 1985). This requires enough time at the start of the interview process to brief the participants on the purpose of the research questions and then obtain a full understanding of their experiences and views. The researcher needs to avoid bias in the reporting of the interviews and it is also helpful if the researcher maintains a reflective notebook to record any thoughts (Polit and Beck, 2012.). In this research study, the researcher spent some 5-10 minutes at the start of each interview explaining the purpose of this exploratory study as outlined in the invitation letter sent to all participants prior to them agreeing to participate in the study. The researcher kept notes during each interview and noted the emotions displayed by participants. The researcher conveyed the feelings and experiences of participants by including a number of direct quotations in the Analysis of Data section of this dissertation, in order to add authenticity and credibility.

It is believed that this exploratory research study has conformed to the reliability and validity criteria for qualitative research established by Lincoln and Guba (1985) and as such it truly reflects the views of all the participants on the issue of organisational effectiveness measurement within the NFP social services segment in the ACT and the surrounding region.
3.8. ETHICAL CONSIDERATIONS

This research study was carried out in accordance with the conditions imposed by the Charles Sturt University Human Research Ethics Committee, which in fact approved the research study in 2014 (Approval No. 218/2014/02). All participants were advised that their anonymity would be preserved throughout the study and in the reporting phase. Each participant agreed to have their organisation acknowledged in the research study, however each participant was advised that their own names would not be quoted anywhere in the research document. The researcher obtained a signed consent form from each participant before commencing the interview session (see appendix 4) and these are held on file by the researcher. All the interview data has been stored on computer discs and locked securely in a filing cabinet in the researcher’s home office.

The ethical issues involved in the recruitment of participants were taken into account by providing detailed information, about the purpose and nature of the research project, to all the prospective participants prior to them agreeing to be involved in the study. During the interview process, the researcher ensured that no harm came to participants in the form of either causing shame or embarrassment. All participants agreed to be involved on a voluntary basis and signed the appropriate consent forms, that have now been stored in a separate file. The researcher has offered to send a summary of the findings of the research study to each participant’s organisation when the study has finally been completed and approved by Charles Sturt University. All participants expressed a very keen interest in receiving a summary in due course, as each of them was deeply involved in improving the outcomes for all those customers of NFP organisations involved in the NFP social services segment. Any possible ethical issues were addressed by having respect for all the participants. This began when all participants were provided with detailed information as part of the invitation process. This enabled them to make an informed decision as to whether they wished to participate in this exploratory study or not. Respondents were invited to discuss the risks and the benefits of participation with the researcher before agreeing to participate in the research study. They were also invited to make contact with the supervisor of this research study at Charles Sturt University Bathurst (Associate Professor, Dr. Branka Krivokapic-Skoko), in order to gain any further information. The researcher also conveyed to each of the participants the importance of their involvement in the sample, as this would bring both validity and robustness to the
overall findings of this exploratory research study, being conducted on behalf of Charles Sturt University.

3.9. CONCLUSION

This chapter has outlined the justification for the qualitative research approach used in this study of organisational effectiveness measurement of NFP organisations operating within the social services segment in the ACT and the surrounding region. A description of the two groups, that made up the sample for this research study, was provided as well as details of the interview process, the data collection process and the means of data analysis. Finally, details justifying the reliability and validity of this qualitative research study were outlined together with the way the ethical issues were addressed. The details of the field research and the analysis of the resultant data follows in chapter 4.
Chapter 4

ANALYSIS OF DATA
4.1. INTRODUCTION

This chapter provides a detailed analysis of the insights gathered during a series of face to face and telephone interviews, conducted between late 2015 and the first half of 2016, with the senior executives from a number of the Not-for-Profit (NFP) social services providers in the ACT and the surrounding region, and also from a number of external stakeholders, including advocacy groups, the relevant Federal and ACT Government Departments of Social Services and the Australian Charities and Not-for-profit Commission.

The perspectives of the executives, representing the NFP social services organisations and those representing stakeholder organisations are presented separately. The chapter provides comprehensive views of the senior executives in each group concerning the present issues facing the NFP social services segment, the current process of organisational effectiveness measurement being used by the various NFP social services organisations and outlines possible strategies to improve performance. The chapter continues with an assessment of the value and practicality of the proposed set of organisational effectiveness measures and whether these measures would assist NFP organisations demonstrate their accountability in a more transparent and timely fashion to customers, carers, potential customers and donors. The results of the respondents’ ranking of the importance or otherwise of each of the proposed 22 organisational effectiveness measures is then outlined for each group of participants. The chapter then provides a comparison of the importance rankings of these measures provided by both the executives of NFP social services organisations and those from the stakeholder organisations and highlights the differences in these importance rankings as seen by each group of respondents.

The chapter concludes with a summary of the findings of the research study and respondents’ evaluation of whether the proposed set of organisational effectiveness measures are seen as being potentially beneficial to both NFP social services organisations as well as to stakeholder groups, especially potential customers and donors.
4.2. PERSPECTIVES OF NFP SOCIAL SERVICES ORGANISATIONS

The participants, representing the nine (9) NFP social services organisations, provided detailed comments about the three key issues that their organisation was facing, the current strategies being used to improve organisational effectiveness and an assessment of the proposed set of organisational effectiveness measures, that could be used to enhance accountability and act as a management improvement tool.

4.2.1. Key Issues

The senior executives of the NFP social services organisations were requested to identify the three most important issues facing the NFP social services segment. There was broad consensus as to the major issues and challenges facing NFP organisations in the ACT and the surrounding region. The most important issues were:-

(a) growing demand for services but reduced government funding;
(b) increased competition from for-profit organisations;
(c) growing frustration with bureaucratic requirements and reforms;
(d) lack of co-operation and co-ordination between the levels of government;
(e) decline in the number of volunteers;
(f) growing need to obtain more funds from various sources; and
(g) concern over future financial viability and sustainability.

Each of these issues will be addressed in more depth below;

(a) Growing demand for services

The most important issue, noted by all respondents of the participating NFP social services organisations, was the increasing un-met needs for social services, especially for those people who are disadvantaged and/or are disabled in some way, and this was of great concern to all of them. They claimed that this was being reflected in the growing incidence of in-home abuse within families trying to cope with mounting financial pressures, an increase in youth unemployment and underemployment, homelessness, and a stark increase in drug and alcohol
addiction in certain sections of the broader ACT community. These un-met needs are, in part, a result of reduced Government funding for social services over the last 8 years since the Global Financial Crisis, and this has resulted in greater demands being placed on NFP social services organisations to provide support in such areas as housing, domestic counselling, women and youth hostels and the supply of food and clothing to people in need.

Respondents commented;

“There is a disturbing increase in the requests for support from vulnerable and disadvantaged people and those at risk of homelessness, seeking food and other support.” (NFP-5)

“We are seeing an increased demand for services from youth and those with mental health issues.” (NFP-7)

“There are less and less services in rural and regional areas and so people are coming to the cities for help” (NFP- 6).

Whilst all respondents acknowledged the growing demand for services and the pressure this applies to NFP social services organisations, these respondents lamented the gradual reduction in government funding in real terms to social services across Australia. Indeed, two respondents reflected;

“Both sides of politics seem focused on the community being more responsible for its own, so there can be less investment in tradition social services.” (NFP-6)

“Governments seem to have adopted the view that in the future the community will be required to solve its social services issues with more and more joint Government and private funding models, such as social impact/benefit bonds” (NFP- 1).

This reduction in government spending was reflected in data contained in the recent Commonwealth of Australia Government budget papers. These showed that the
Commonwealth of Australia Department of Social Services (DSS) budget for 2016/17 was $158 billion, which was 0.2% lower than the actual 2015/16 expenditure. In addition, a disproportionate level of budgeted funds was directed to the national rollout of the National Disability Insurance Scheme, which in turn reduced spending the allocations to the more traditional social services areas (DSS Portfolio Budget 2016/17).

In addressing this pressure on funding, respondents claimed that:

“Many NFP organisations are needing to operate much more commercially than we did in the past in order to survive.” (NFP-2)

“Governments have cut their funding so much that they are now seeking additional in kind support in some of their latest tenders” (NFP-4)

Only one participant referred to the possible use of social impact bonds, which have been trialled in the United Kingdom since 2010. These bonds are designed to improve the social outcomes of publicly funded services by making funding conditional on achieving specific outcomes, Investors pay for the project up front and then receive payments based on the results achieved (UK social impact bonds, 2014). This type of funding model has also been trialled by the NSW Government in 2014 in the form of social benefits bonds. This financial instrument pays a return to the investors based on the achievement of an agreed set of social outcomes (NSW Social benefit bonds trial-NSW Treasury, 2014). Various projects have started in Sydney in areas such as assisting struggling families, and parents with children at risk of entering out of home care facilities. The success of the latter project would have a beneficial impact on reducing the very large Government spending on the out of home care programme in NSW. The NSW Government has not, however, extended the use of these social benefit bonds as a means of providing additional funding for social services programmes.

The next most important issue related to the change in the Government funding model for those people requiring certain social services, such as aged care and disability services. Prior to this change to the new customer directed care funding model, NFP social services organisations prepared tender submissions for the
provision of specific social services, such as for people in aged care facilities or with those people with a disability. When these tenders were successful, the NFP social services organisations were required to provide the staffing and capital resources necessary to provide these services normally for a period of 12-24 months’ period. They would determine their staffing levels in the various areas and then monitor performance over time. In addition, the Commonwealth of Australia Department of Social Services (DSS) would also conduct audits of these organisations to ensure that services were being provided in line with the requirements of DSS.

This new funding model, however, places the onus on the customer to do their homework, determine which provider(s) will meet their needs and then obtain price quotes from the various NFP social services organisations. The customer then makes a decision about the provider(s) that they will use. This has resulted in NFP organisations not being entirely sure as to the level of demand for their services into the future, because the funds now go directly to the customer rather than in a bulk form to the NFP organisation providing the services. Given this uncertainty, respondents claimed that their resource and capital expenditure planning had become somewhat uncertain and this posed a major risk to the sustainability of the provision of certain services. Respondents advised that Government had notified them that it planned to extend the use of this customer directed care funding model to other areas, because it believed that it was more appropriate for funds to be placed directly into the hands of customers, who then can determine how they will use the funds.

Two respondents claimed;

“The client’s right to change their plan is proving very difficult for us to project client usage levels and this makes it hard to budget our staffing levels and other costs” (NFP-1)

“With this new policy, the customer has all the choice and we carry all the risk” (NFP-2)

NFP social services organisations are now having to start to market themselves to customers in a way that was never contemplated or necessary in the past and this is concerning to many NFP social services organisations.
(b) Increased Competition from For-Profit Organisations

The next issue related to the growing level of competition within the social services segment coming primarily from for-profit enterprises. Following a recent Australian Government competition review in 2015, many new providers, including for-profit entities, have begun entering the social services segment and competing for the provision of various social and health services. This report, from Professor Harper’s Competition Policy Review Committee, recommended to government that there should be more competition in the human/social services market as it believed that this would help drive down costs. This Committee recommended that:

i) a diversity of providers in the area of human services should be encouraged.

ii) government departments need to focus more on outcomes.

iii) user choice should be at the heart of service delivery, such as the customer directed care model.


The Government has encouraged both NFP and for-profit enterprises to tender for social services in the belief that this increased competition will help drive down the costs of services and make the limited funds go further. Following this decision by Australian Government, a number of for-profit organisations are now actively competing for the provision of social services and health care services to customers. Respondents referred to the for-profit and non-profit organisations, such as the large UK based Bupa company, entering the social services segment and having a direct impact on NFP organisations, particularly with their lower pricing. Bupa began in 1947 in the UK when 17 provident associations joined together. Health insurance accounts for the majority of its revenue, however Bupa also operates in hospitals, care homes and villages, clinics and dental care. Bupa is a very experienced and efficient organisation with many years of experience in the UK social services market. In addition, respondents noted that these types of organisations were taking a very business-like view by entering only those areas where they believed that they could make a profit and leaving many other less profitable areas to others.

As one respondent commented:
“There is a growing number of providers vying for the bucket of funds, with many focusing on the easiest clients to work with, rather than the more vulnerable and critical families, as it costs too much to service them.” (NFP-6)

All respondents expressed great concern over the spectre of increased competition, especially from for-profit organisations

(c) Growing Frustration with Bureaucratic Requirements and/or Reforms

The next most important issue raised by respondents was their frustration with the nature and volume of policy changes and departmental requirements being made by both Commonwealth of Australia, State and Territory Government Departments of Social Services, often with little regard for the extra workload implications for providers. Respondents claimed that this constant pressure on administrative matters relating to these Government requirements was a major distraction. CEOs commented that the many changes in requirements have led them to be spending even more time and effort on administrative tasks and employing more support resources to cope, even though Government departments have openly advised provider organisations that the cost of administrative support should be kept at between 10 – 12% of the tender/contract income.

As two respondents stated;

“There is reform after reform, pressure to seek efficiencies and government not wanting to fund our organisation’s true cost of running services.” (NFP -4)

“There is a considerably more competitive and detailed tendering process now and this is impacting on the amount of administrative resources we must provide.” (NFP – 3)

This frustration, expressed by the NFP executives, was being compounded by the fact that Government officials often failed to discuss the reasons and purpose behind the changes. Also, a number of the more experienced and long standing executives of these NFP social services organisations were disappointed at this lack of
inclusiveness. In addition, many respondents were of the view that their experience in these social services areas could be being utilised by Government officials as they had specific views on how the funds from all Government sources could be more purposefully and fruitfully directed. Respondents claimed that this constant pressure on administrative matters and extra regulations was a large distraction. They commented that they would rather be spending additional time on intelligently joining together with Government representatives to discuss better ways to solve major social services issues rather than being bogged down in administration.

As one respondent stated;

“Government seems to be good at making things up as they go along and this is difficult for us to plan.” (NFP – 2)

(d) Lack of Co-Operation and Co-Ordination between Levels of Government.

A further frustration for these executives was the issue of a lack of co-ordination between the various levels of Government namely, Commonwealth, State and local. Respondents expressed considerable disappointment with both the Commonwealth and State/Territory Government Departments of Social Services at their lack of willingness to address the growing demand for more social services and the many ways to better use the limited funds available. Respondents provided examples of programmes organised by both Commonwealth and State/Territory government departments that had a similar purpose, yet funds were being spent on both. Respondents claimed that the inefficient use of the large financial resources comes about due to the fact that the Commonwealth of Australia Government and State Government Departments of Social Services do not liaise with each other about how their budgets could best be constructed and then allocated to address future social services’ needs. Respondents commented that Government Departments seemed to operate independently of each other in the social services area and this meant that funds were not being used efficiently to address the priority areas.

As one respondent stated:-
"The lack of co-ordination and co-operation between the Commonwealth and State governments in the social services space leads to duplication of programmes and often competing priorities. It is an inefficient use of a lot of money." (NFP – 7)

and another;

"NFP Providers who service a Commonwealth program are not able to seek a similar State/Territory government program. This is a wasteful use of resources as great efficiencies could result." (NFP – 2)

It was of interest to note that many respondents believed that there were adequate Government funds for social services overall, however this lack of co-ordination and co-operation between the different social services departments across the country was leading to gross inefficiencies. The conflict that often existed between the different levels of Government (i.e. Commonwealth and State) was severely limiting the full benefits of having the NFP and for-profit organisations working collaboratively with the relevant Government departments to address the social services needs of society in a more strategic and purposeful manner.

(e) Decline in the Number of Volunteers

The next most important issue focused on the effects of a decline in the number of volunteers offering themselves to provide assistance. All the CEOs and one director expressed great concern about the declining level of committed volunteering by the Australian public, as many NFP organisations relied on a steady supply of volunteers to support the full-time paid employees provide the necessary services. This supply of volunteers enabled many NFP social services organisations to continue to provide cost efficient services to customers. This concern over the decline in the number of volunteers was supported by data from a recent Australian Bureau of Statistics (ABS) study, which showed that the number of Australians engaged in volunteering had declined from 36% in 2010 to 31% in 2014. According to this survey, most volunteers were involved in sport and physical recreation activities rather than social services and some 20% of volunteers provided more than 200 hours per year (ABS General Social Survey, 2014). Respondents identified a number of specific reasons for this situation.
Firstly, there has been an increase in the number, range and diversity of volunteering opportunities with many new NFP and charity organisations entering the NFP sector over recent years.

This has meant that the current pool of volunteers was now spread much more thinly over a larger number of organisations. Secondly, the changes in the economic, demographic and sociological makeup of the Australian society has resulted in the need for many in the 25 to 55 year age group to have a two-income household in order to cope with present day living pressures. Respondents commented that this has resulted in many people stating that they are time poor and unable to make a commitment to volunteering. In addition, respondents advised that many people expressed a reluctance to become involved in volunteering given the many new requirements being placed on them by special Government initiated requirements. These often required volunteers having to obtain such things as a police check before being granted a card enabling that person to work with vulnerable people and children. Also, there are requirements for volunteers to complete work, health and safety courses in order to assist NFP social services organisation limit the number of injuries and also limit any legal claims if injuries are sustained.

One respondent commented that:

“Many people aged between 25-35 years do not have the time to volunteer as they did in the past, due to the need for two household incomes and the growing incidence of part time working circumstances.” (NFP – 9a)

There are serious implications for the future of many NFP social services organisations from this decline in the pool of volunteers. Respondents advised that a number of these NFP social services organisations were having to employ more part-time people in order to maintain services but this was costly in the long term. The lack of a reliable source of volunteers for NFP social services organisations has resulted in many of these organisations not being able to adequately plan future work flow patterns as they are not able to commit to specific staffing levels. As a result, some respondents advised that their organisation was considering exiting some social services areas because they could not afford to provide the necessary staff and so would not be able to maintain their services into the future. This has significant
implications for the overall NFP social services segment, given the growing demand on NFP social services organisations to provide even more social services.

Respondents stated that this was a big challenge for NFP social services organisations to reverse this declining trend in available volunteers and find ways to attract more volunteers willing to make a medium-long term commitment to these organisations. This struggle to attract volunteers would, according to respondents, lead to some NFP organisations not being able to provide cost efficient services and in some cases deciding that they did not have the resources to continue providing the services in certain areas of need.

(f) Ongoing Need for Additional Funds

Respondents advised that their organisations were under constant pressure to supplement their Government funding with fundraising and the provision of services which could be fee generating, in order to continue meeting their mission. With more and more charities and NFP organisations in existence, there was even greater pressure on each NFP social services organisation to secure donations and extra funds. A recent survey for Philanthropy Australia revealed that, 14.9 million Australians gave to charities and NFP organisations however, while the median donation was 50% higher than previously, the number of individuals donating had declined from 87% of the population 10 years ago, to 81% now. In fact, the market size of donations from Australian individuals was estimated at $12.5 billion in 2015/16 and this was an average of $564 per person per annum. (Philanthropy, 2016 accessed on 28/11/2017). The growing number of charities and the decline in the number of people donating is a major concern for all participants in their search for more funding.

One responded stated;

“We are facing reduced income from Government sources and it is harder to generate other income in this highly competitive environment; (NFP-4)"

This trend of a slow decline in Government funding and a diverse but relatively static but highly competitive donations pool was a major issue for NFP organisations and for their future.
Concern over Future Viability and Sustainability

The last major issue identified by these executives was their deep concern about the long-term survival of many NFP organisations. The majority of respondents expressed an underlying concern over the long-term sustainability and financial viability of their organisations. All respondents reported that their financial resources were under considerable pressure given reduced Government funding, increased competition for these funds as well as an increased number of charities and not-for-profits seeking donations from individuals and businesses. In addition, many NFP organisations were having to adjust their operations to cater for the reduction in the number of volunteers.

One respondent commented that:-

“We are particularly concerned that we will not be able to meet the growing demand (for services) and we are having to manage our limited resources better just so that we can keep afloat.”

(NFP – 7)

These many financial factors were placing considerable pressure on the long-term viability and sustainability of many NFP organisations. Whilst many of the issues that concerned the CEOs/Director of the NFP organisations interviewed were outside their control, the last one, relating to the ongoing viability and sustainability of their organisation, was the one referred to often during the interviews. These executives noted that in order to remain viable, there was a need to improve organisational efficiencies and effectiveness and this is explored in the next section.

4.2.2. Current Strategies to Improve Organisational Effectiveness

All respondents expressed the view that they faced considerable challenges to maintain the delivery of their mission, and confirmed that none of them currently used a broad-based set of measures to assess their organisational effectiveness capability. However, all respondents stated that they currently employed a variety of performance management strategies to improve organisational effectiveness. These included;

(a) assessment of financial performance;
(b) performance measurement;
(c) programme assessment;
(d) IT systems improvement;
(e) creation of partnerships; and
(f) involvement of the board of directors.

These are discussed in more depth below.

(a) Assessment of Finance Performance

This strategy of measuring and monitoring financial performance was the major measure of organisational effectiveness used by these NFP organisations. Financial performance was monitored on a monthly basis with particular attention being paid to cash flow management. These executives noted that there was a delicate balance between the funds coming in and expenditure on various programmes. The importance of this strict cash flow management was borne out in the comments from these executives, who noted their disappointment with some branches of Government, which did not pay their outstanding debts within the normal terms of trade namely 30 days. Often the outstanding debts of Government would not be paid for 45-60 days even though there was considerable follow up by the NFP organisations. This tardiness to pay by some parts of Government, was often causing many of the NFP organisations to go into overdraft with the banks. Each organisation stated that financial budgets were set on a monthly and yearly basis and that each month, there was a thorough review of all the elements of these financial measures.

Respondents stated;

“We have measurable objectives that are mainly financial” (NFP-2)

“We measure our financial cashflow on a monthly basis, given the uncertainty of the level of donations coming in” (NFP-9b).

Many respondents advised that with the new customer directed care funding model for the provision of some social services, they were required to provide pricing quotes to potential customers. This has required NFP social services organisations to
have an in depth understanding of all the relevant costs, so that appropriate pricing schedules can be prepared for clients. The respondents claimed that in the past there was no necessity to prepare detailed unit costings as individual pricing details were not required.

One respondent stated;

“For our home care service, we need to understand our costs at a unit level and then determine an acceptable gross margin as we try to comply with the new Government funding model” (NFP-2).

Respondents commented that they now needed to ensure that the specific prices for the service provided more than covered the unit costs, in order to remain financially viable.

(b) Performance Measurement

All respondents stated that their organisation was actively measuring performance, particularly their inputs and outputs on a regular basis, primarily due to the fact that this was part of a government contractual requirement. Each respondent claimed that the actual inputs, outputs, revenue and expenditure for all of the various programmes were measured against a monthly and yearly budget. This finding was consistent with the findings of the 2010 study conducted by the Australian Government Productivity Commission into the NFP sector, which found that the vast majority of organisations were actively measuring their inputs and outputs. The Australian Government Productivity Commission report suggested the adoption of best practice approaches to performance measurement and evaluation namely, by a greater focus on outcomes and impacts on society (Australian Government Productivity Commission report, 2010).

One respondent commented;

“We measure performance against government contract requirements and also use key performance indicators (KPIs) for the inputs and outputs” (NFP-4).
With regard to measuring customer outcomes, many respondents advised that their organisation did conduct internal assessments of the progress of their clients in terms of their well-being, and these were conducted by staff members.

As one executive stated;

“We use the Health and Wellness questionnaire to provide measurement inputs to assist in answering questions around how well we are serving clients and are we making a difference.” (NFP – 2)

Another mentioned that;

“We are piloting the use of the Results Based Accountability framework which seeks feedback from staff and clients as to how many services are provided, how well these are provided and whether they are making a difference.” (NFP – 1, NFP – 5 and NFP – 6)

Whilst a number of respondents claimed that it was important to gain a greater feedback from their clients, none of the participating NFP social services organisations, except one, used any type of regular independent customer/client feedback process to gain an understanding of client satisfaction with the organisation’s efforts to improve the level of client well-being over time. Most of the respondents were of the view that the costs of organising some sort of independent survey of their customers/clients would be expensive and many felt that their own internal assessments by their staff were adequate.

As one executive stated:

“We should be developing outcome measures and then we may be able to get some alignment with government.” (NFP – 7)

Another executive put the view that:-
“We use a lot of case studies about how we help people. We know the government’s desire to move a lot more towards outcome reporting, but they are struggling with it because people in government have no idea how to do it properly.” (NFP – 9a)

It was of interest to note that during the discussions on the desire of most NFP organisations to start to measure customer outcomes as part of their performance measurement process, not one of the respondents highlighted the initiative, by the Commonwealth of Australia’s Department of Social Services (DSS), to trial the use of a standard client/community’s outcome reporting (SCORE) web based portal starting in 2016. This new reporting regime seeks to gain outcome feedback from the clients and from the staff managing the programmes and applies to those providers administering a new Commonwealth of Australia contract with DSS. This omission by respondents was surprising, given that the DSS executives participating in this research study advised the researcher that, DSS had conducted a series of briefing sessions with all the medium and large NFP social services organisations operating in the social services segment in the ACT early in 2016 prior to the trial commencing.

Most respondents claimed that their organisation had used, or was using, benchmarking as an additional performance measurement tool. Many organisations used specialised benchmarking companies that consolidated data, such as clinical care statistics, staff to client ratios and cost to serve figures. However, most respondents were concerned that the definitions of the various measures were often not uniform, and this made making any comparisons with other unidentified but similar organisations involved in the benchmarking process, somewhat dubious.

As one executive stated:

“It is not much worth using benchmarks because people describe the same things differently and the definition of various measures are often different, even between the Commonwealth and State/Territory government social services departments.” (NFP – 2)

Some of the larger NFP social services organisations with branches and/or affiliated agencies in other states of Australia, advised that they tended to develop their
own “in house” measures such as, the cost to service a foster care family, various financial ratios, fund raising costs and back office costs, and then compare their performance against that of other branches and/or affiliated agencies in other states. In addition to this, those NFP social services organisations engaged in Government contracts are provided with certain benchmarks by Government which they found very helpful in terms of being able to measure and monitor performance.

As one executive stated;

“Government provides benchmarks for us to report our service delivery performance against and they use a star rating which compares your organisation’s performance against other organisations on a three-monthly basis”. (NFP – 7)

(c) Programme Assessment

Most respondents advised that one of their major strategies was to assess the quality of the service delivery of various programmes on a regular basis. They noted that their organisation had processes in place to assess the programmes that were being provided to customers. A small number of organisations advised that they were trialling the use of various assessment tools such as, the Results Based Accountability framework, the Strengths and Difficulties questionnaire and the Health and Wellness questionnaire. Others used their staff to make ongoing assessments of the progress of their clients in terms of wellbeing outcomes.

Some executives stated;

“We use before and after assessments of the clients however, these are all completed by the staff.” (NFP – 4)

“We have a monthly dashboard of KPIs for each of the programmes and we use internal auditing to check on the quality of services” (NFP-7).
Case studies and assessments covering the progress of clients over time were widely used to monitor the quality and timeliness of the services provided to the customers by the organisation.

(d) IT Systems Improvement

Most respondents explained that their organisations were constrained by the outdated nature of their IT systems. These systems failed to meet the growing requirements from Government for more compliance data and this was proving to be a very labour intensive process due to these outdated IT systems. Most respondents complained that their IT systems were not very sophisticated with many parts of their organisation unable to access data that was needed quickly. Whilst there was a strong desire to upgrade these systems, respondents claimed that they did not have the necessary financial resources to undertake these major upgrades.

As one respondent stated;

“We desperately need to improve our IT systems, but our funds are limited” (NFP-3)

(e) Creation of Partnerships

An important strategy that was mentioned by a few respondents, was the need to create partnerships with other organisations to help keep costs under control. A number of respondents commented that they were considering some form of partnership with other organisations to reduce duplication of services and so reduce costs overall. For example, a small number of the respondents claimed that they were contemplating the use of shared services facilities, especially for administration and payroll tasks. It was disturbing to note that, in the case of one of the larger NFP organisations participating in this research study, which had some 40 individual agencies providing similar social services around Australia, there was no central management, no resource planning or co-ordination of activities nor any process for the various agencies to work together and learn from each other in the many fields of social services delivery. This is a good example of how the management of some of the organisations operating in the NFP social services segment, are not actively searching for ways to become more efficient and indeed effective.
As one executive commented;

“We need to do an exercise around co-delivery partnerships to increase efficiencies. We could consider shared back office services and group purchasing for all of our entities.” (NFP – 6)

This lack of consolidation of non-client facing activities is an extremely inefficient way of operating in a highly competitive market.

(f) **Involvement of the Board of Directors**

The governance role of the board of directors of NFP organisations was seen as an important strategy to monitor performance and provide advice on improvements. As noted by Drucker (1990), the governance role of directors needs to cover such areas as mission adherence, performance review, conformance to legal and regulatory requirements, responsiveness to stakeholders and demonstrating a clear accountability for the organisation’s activities (Drucker, 1990). Respondents claimed that their board of directors was engaged in the review of performance at the monthly board meetings and was monitoring whether the organisation was meeting its mission. In addition, all the participants advised that their directors were engaged in the strategic planning process and were regularly reviewing in detail the performance of the organisation at the monthly board meetings. According to the respondents, the directors reviewed the financial data and discussed the status of various programme activities at each of these meetings,

Two executives stated that;

“We provide a dashboard of KPIs to the various board committees every 3 months.” (NFP – 3)

“We use a formal business rating process with an internal committee to determine whether the proposed new program contract does actually align with our mission before the tender is responded to and we can advise the board accordingly” (NFP-7)

Most respondents expressed the view that their board of directors was actively engaged in various sub-committees such as finance, risk, compliance and fund raising.
In addition, most respondents regarded their board directors as having a good cross section of skills and provided a balanced view on the many issues that they discuss. One executive stated;

“They are a skills based board with many different skills, the right mix of skills, the right mix of genders, and the right mix of demographics – and this makes them truly effective.” (NFP-5)

These comments provided the researcher with encouragement about the quality of the governance of some of the participating NFP social services organisations. However, these responses from some participants in this research study were in contrast to the findings of the Australian Tax Office (ATO) in 2011. The ATO was critical of the directors in the NFP sector and noted in their report that there was a lack of adequate governance within the NFP sector and this level of governance was well below that exhibited by the for-profit and Government sectors (ATO, 2011).

All respondents advised that their board members were involved in the preparation of the annual report of the organisation as they believed that this document was not only a record of activities but also a statement of their accountability to their stakeholders. Many respondents regarded the annual report, which was published some 4-5 months after the end of the financial year, as a good representation of the organisation’s effectiveness. The annual report included information about the organisation’s mission, a detailed list of input and output measures for all the social services provided, some case studies showing how the organisation had assisted its clients to improve their well-being, an overview of the strategic plan and the audited financial statements.

Respondents stated that;

“Our annual report is our opportunity to tell our story from the mouths of our customers and staff, as well as show our inputs and outputs” (NFP-2)

“We use our annual report to showcase the organisation and promote our services, but I really wonder its value as an assessment tool because we only show all our good results” (NFP-6).
These annual reports are usually a very comprehensive overview of the activities of these NFP organisations.

**Conclusion**

The interview responses from the CEOs/director of the NFP social services organisations revealed that there was no overarching commonly agreed set of measures being used to indicate the overall organisational effectiveness capability of these NFP organisations to all their stakeholders. Participants in this research study, acknowledged that the monitoring of financial results against budget, as well as the measurement of inputs and outputs against the various budgets, were the main management tools being used to assess organisational effectiveness. This result was consistent with the study of UK NFP organisations by Moxham (2009), which found that organisations regarded their financial performance as the primary demonstration of whether they were achieving their mission (Moxham, 2009). Respondents also commented that they believed that the existence of their annual report, published some 4-5 months after the end of their financial year with various case studies of well-being progress of some of their clients, input and output data and the financial statements, was in fact, a good reflection of the effectiveness of their organisations. Respondents did acknowledge that in today's competitive environment, potential clients and donors were seeking more up to date information about the performance and indeed effectiveness of NFP social services organisations, before making a decision as to which organisation they would choose to provide their social services.

As one chief executive stated;

“This new customer directed care model has meant a major cultural shift and we will need to market ourselves to potential clients for the first time which many of us feel is not quite right.” (NFP – 9a)
4. 2. 3. Views about and Ranking of the Organisational Effectiveness Measures

Assessment by Participants

At the conclusion of the formal interview, each respondent from the participating NFP social services organisation was provided with the proposed set of organisational effectiveness measures, which was detailed on a separate sheet and outlined in Appendix 3. All participants were requested to read through the list of organisational effectiveness measures and then comment on their applicability and usefulness to NFP social services organisations as a management tool. The 22 organisational effectiveness measures were broken into three classifications, namely those relating to outcomes accountability, governance and capacity with many of them requiring the use of an independent survey to capture customer and carer feedback as shown on Figure 4. 1.

The outcomes accountability measures focused very much on how the end customer and carer evaluated the services provided to them and the real benefits that they received from the services they received from the organisation. These measures also included the level to which customers would recommend the specific NFP organisation to potential clients, using the net promoter score method. The governance measures related to such things as conformance and compliance with requirements, mission focus, risk management and reputation. Finally, the capacity measures focused on such things as financial health and sustainability, fund raising and back office efficiencies and staff and volunteer satisfaction levels.

Respondents were requested to consider all the measures and provide their qualitative assessment as to whether these measures would provide a concise means of measuring organisational effectiveness capability and a way of demonstrating the organisation’s accountability to stakeholders. All NFP executives in the study reacted very positively to this exploratory set of proposed organisational effectiveness measures stating, that it would provide a valuable performance improvement tool for their organisation, particularly as they could make comparisons with other organisations in the social services segment, provided that the vast majority of NFP social services organisations were prepared to prepare and then upload the set of measures onto digital platforms, such as their websites.

As one executive said;
“The measures that you have developed are very good because they are broad. Also, I think that this would greatly assist us and help us lift our overall performance because this would extend our evaluation tools past having just one or two reporting tools and the requirements set by the government departments to help judge our overall performance.” (NFP – 6)

A number of respondents noted that this proposed set of organisational effectiveness measures would be a great asset provided each organisation was prepared to participate and establish this organisational effectiveness measurement capability assessment process. All the NFP social services organisations would need to display the current organisational effectiveness measures on their website and update them regularly. Some respondents commented that it would be even more beneficial if it could be also regularly uploaded onto the website of the ACNC as this was an independent Government body, and this would give these measures even greater credibility. One executive stated:

“I do not have an issue if the ACNC came and requested that we complete this set of measures and then we would update it on a regular basis, even though the ACNC has yet to be given control over NFP organisations.” (NFP-1).

All respondents expressed the need for there to be established a uniform set of definitions for each of the measures that were agreed to by NFP social services organisations. Respondents were concerned that the universality and generalisability of the measures would only be achieved if the definition for each of the measures was unambiguous, clear, consistent and comparable. The organisational effectiveness measures needed to be practical and the sourcing of the data needed to be easy to obtain and at minimal cost. Respondents were aware that the various electronic means of gathering data from customers, for example, were now readily available and they regarded these as being relatively inexpensive.

One respondent stated;

“The challenge will be consistency, as everyone likes to measure things differently” (NFP-4).
Importance Ranking of the Organisational Effectiveness Measures

The researcher requested that the participants rank the organisational effectiveness measures using a Likert Scale of 1 to 3, where 1 was very important, 2 was important and 3 was not important, on a separate sheet provided by the researcher (see Appendix 3). Respondents were familiar with the Likert scale concept, which is a psychometric scale commonly involved in research employing questionnaires. It is the most widely used approach to scaling responses in survey research, such that the term is often used interchangeably with rating scale, although there are other types of rating scales. When responding to a Likert item, respondents specify their level of agreement or disagreement on a symmetric scale for a series of measurement statements. Therefore, the range of one to three captures the intensity of their feelings for a given measure (Burns and Burns, 2008). The responses of the 10 participants were then tabulated and divided by the number of responses for each measure to obtain an average score for each measure.

Summary of Importance Rankings

The measurement of organisational effectiveness assessment tool was classified under three headings of outcome accountability, governance and capacity. In the area of outcome accountability, respondents ranked the measurement of customer and carer satisfaction with the NFP organisation via an independent survey as being very important with an average score of 1.2 and 1.4 respectively. This high ranking reflected the respondents’ comments during the interviews that organisations needed to provide good quality service delivery to their customers. Lower rankings were recorded for measures relating to customer’s recommendation of the NFP organisation to potential customers via the use of the independent net promoter score method, at 1.7. A slightly lower ranking was recorded for a measure showing carer assessment of changes in the well-being of the customer over time at 2.0. In addition, a measure showing the level and seriousness of complaints received a similar average ranking of 2.0, which was surprising given that one would have expected a stronger focus on measuring serious complaint levels.

In the area of governance, an indication that the organisation was meeting its mission was seen as very important at 1.2 together with the measures showing the organisation’s conformance and compliance to the many regulations and requirements at 1.3 and 1.4 respectively. A slightly lower ranking was recorded for a measure
signifying the reputation of the organisation compared to other NFP organisations via an independent survey and one that assessed the transparency of the information shown on the organisation’s website at 1.8. It is of interest to note that none of the respondents mentioned the most reputable charities survey conducted each year. The NFP/charities participating in this research study were ranked between 20th and 34th in the 2016 survey, thus signifying a relatively low reputation in the eyes of donors (AMR most reputable charities survey, 2016 accessed on 28/11/2017). The measure showing the importance of the level and quality of risk management within the organisation was given the lowest ranking in this classification at 1.9 and again this seemed somewhat unusual given the need for a strong focus on risk management in NFP social services organisations.

The capacity measures around financial health and sustainability were ranked as very important at 1.1, and this was consistent with the information provided by participants during the interview process. It was of interest to note that participants did not regard highly those measures that would identify head office/administration cost efficiency and fund raising efficiency with these ranked as being important with average scores of 2.1 and 1.9 respectively. In addition, respondents did not regard an independent assessment of the content, accessibility and navigation virtues of their website as being overly important with an average score of 1.9. The lowest ranking in this classification was for a measure showing the level of external financial backing with a score of 2.6. Lastly, it was of interest to note that respondents did not rank the measures to obtain independent feedback from staff members and volunteers via a satisfaction survey, as being overly important with an average score of 1.8. Some respondents claimed that many public companies are not required to declare this type of measure to their shareholders, so why should they.
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4.2.4. Conclusion

In conclusion, this small sample of NFP senior executives ranked all but two of the measures, namely the efficiency of the administration costs and the level of external financial backing, between very important (1) and important (2). According to participants, some of these measures, such as financial health, conformance and compliance data and providing details of the strategic plan and the mission, were being captured currently by NFP social service organisations. However, there were many other measures that were not being captured and monitored in order to better assess the effectiveness of the organisation. For example, even though all respondents ranked highly measures to obtain feedback from customers and carers about the quality of service delivery from an independent source, only one of the participating organisations had established a process to capture feedback about the quality of the services provided to their customers from these independent sources.

4.3. PERSPECTIVES OF STAKEHOLDER ORGANISATIONS

Executives representing the 10 stakeholder organisations provided their comments and views on the issues facing the NFP social services segment in the ACT and the surrounding region and gave their detailed impressions of the organisational effectiveness of those NFP social services organisations participating in the segment. The interviews were conducted with 11 senior executives from the seven advocacy and carer groups working in the social services segment, as well as senior representatives from the Commonwealth of Australia Department of Social Services, the ACT Government Community Services Directorate and the Australian Charities and Not-for-profit Commission.

4.3.1. Key Issues Facing NFP Organisations

Participants were requested to identify and discuss the three most important issues facing the NFP social services segment in the ACT and surrounding region. There was general agreement amongst this group, that the most important challenge related to the long term financial viability and indeed the survival of many NFP organisations rather than the growing level of demand for social services, which was seen by the executives of the participating NFP social services organisations as their most important issue. The most important issues as seen by the 11 respondents were:
(a) concern over the long term financial viability and sustainability;

(b) heavy reliance on government funding;

(c) coping with the constant changes in government regulations;

(d) lack of adequate board governance practices;

(e) increasing competition; and

(f) difficulties arising from inadequate financial and human resources.

These issues are discussed in more depth below.

(a) Concern over Long Term Financial Viability and Sustainability

The stakeholder respondents were well aware of the financial pressures being experienced by many of the NFP social services organisations operating in this segment within the ACT and the surrounding region. Respondents acknowledged the fact that the constant request by Government to NFP social services organisations to do more with less, was adding to the pressures on many of these organisations. With the gradual squeeze on Government funding, stakeholders expressed concern that the NFP social services organisations needed to become much more cost efficient in order to survive, particularly as Government often did not make any allowance for cost of the living via CPI indexation in the tender documents. In addition, the increasing level of urbanisation was leading to increased demand for social services in the cities, with many NFP social services organisations being forced to abandon some of their support offices in rural and regional areas of Australia as they were no longer sustainable.

As one stakeholder noted:

“I am concerned for the viability of many NFP organisations and thus the maintenance of the integrity of their mission.” (ST – 25)

Another stated:
“A number of organisations that we have dealt with in the ACT, did not have sufficient funds to cover the lease and staff entitlements and so the ACT government has helped them out.” (ST-25)

Respondents were also of the view that many NFP organisations needed to become much more “business savvy” if they were going to survive in the long term. This was especially relevant with the Government policy change to the customer directed care model for certain social services. In this new system, services are now to be provided up front by the provider organisation and then payment is made by the customer to the provider after the services have been delivered. Previously NFP organisations received their block funding up front from Government for specific programmes and this funding was then allocated to various programmes according to the need. This policy change to the funding was clearly having a major impact on the cash flow of the smaller and medium sized NFP organisations, with many not having ample cash reserves to cope with outstanding debts, which may take 40-60 days to collect.

As one stakeholder stated:

“Organisations have a problem with the new customer directed care model and the new National Disability Insurance Scheme (NDIS) because the underlying assumption of government is that some of this can now be done cheaper. They want client outcomes but with reduced funding. I have never seen a good client outcome from any agency that is not well run with adequate staff training etc.” (ST-25)

A number of the participants commented that they had noticed a growing number of NFP social services organisations and charities operating in Australia with most of these seeking donations, which added to the pressure on established NFP social services organisations to maintain their level of donations from individuals and corporates. In fact, one respondent advised that in 2016 there were over 5,400 charities in Australia and the Australian Charities and Not-for-profit Commission (ACNC) received, on average, nine (9) new applications per week. This increase was due in
part to the tax advantages that charity status provides, namely no tax on surpluses and the opportunity to offer tax deductibility to donors for their donations, as well as a lack of public scrutiny or indeed Government scrutiny of the activities of the organisation.

Respondents surmised that this constant pressure of not having sufficient funds to operate their business, could in the long-term lead to many NFP social services organisations not being able to survive.

(b) **Heavy Reliance on Government Funding**

The second most important issue identified by the stakeholders was the heavy reliance on Government for funding. Stakeholder respondents highlighted the fact that they believed that most NFP social services organisations had far too great a reliance on Government funding to support their ongoing activities and this impacted on the organisation’s ability to plan adequately for their future. According to respondents, this short-term focus on gaining Government funds at all costs to support the organisation was a major distraction for NFP social services organisations. This reliance on Government funding was highlighted in the recent Australian Bureau of Statistics (ABS) study, which showed that 62% of the total income of the NFP social services segment of $19.2 billion in 2012/13 came from Government sources (ABS, 2014). This heavy reliance was again confirmed by the data provided in this research study by the NFP social services organisations participating in this study. It showed that on average some 66% of the total income of the nine participating NFP social services organisations came from Government sources and of these, five received well over 70% of their income from Government sources.

Stakeholders made the following comments:

“I think we are seeing an increase in NFP organisations being predominantly government funded” (ST-25) and

“Given the large focus on the National Disability Insurance Scheme, many organisations are coming to us and saying that they will only provide the service if you (the Government) gives us the money to do so” (ST-27).
(c) Constant Changes in Government Regulations

The next issue, which was in part related to the reliance on Government funding, related to the extra workload for NFP organisations due to the many changes in Government regulations. Stakeholders agreed that the constant changes to Government regulations and policies in the social services segment placed considerable pressure on the limited resources of NFP social services organisations. The most recent Government policy changes, namely the new customer directed care model and the National Disability Insurance Scheme (NDIS), were examples of the need for NFP social services organisations to make considerable modifications to the way they operated. Stakeholders acknowledged that the many inquiries and resultant reforms and additional regulations placed a substantial administrative burden on these organisations. This was particularly relevant as these organisations have been encouraged over the years to limit their administrative resources in favour of directing more resources to the actual provision of social services to customers.

The changes in regulations and requirements have required most NFP social services organisations to modify their business model from their IT systems right through to their costing and pricing processes.

As one stakeholder stated:

“Between 2012-2014, there were 97 inquiries and reforms in the social services market, including reforms in the areas of disability, child care, aged care, family and youth, drug and alcohol abuse and mental health.” (ST-29)

The stakeholder respondents were conscious that these constant changes were clearly stretching the scarce human and financial resources of many NFP organisations.

(d) Lack of Adequate Board Governance Practices

The next major issue, relating to a lack of adequate board governance, was regarded by almost all of the participating stakeholder respondents as a very important one. Indeed, their views were in steep contrast to those executives of the participating NFP social services organisations, who expressed the view that their boards of directors were going about their tasks in an effective manner. The majority of
stakeholder respondents, however, expressed considerable concern over the inadequacy of board governance practices based on their observations and dealings with various NFP social services organisations. In particular, there was consensus that the biggest area of deficiency with board directors, was their lack of financial literacy. Stakeholders acknowledged that many of the boards of NFP social services organisations consisted of directors who were members of the organisation but often did not possess any formal qualifications or experience in business or social welfare. Many directors did not have the appropriate skills and in addition, boards were often not appropriately balanced in terms of the requisite skills that are required to provide the desired level of governance for a NFP social services organisation.

Stakeholders claimed that many directors of NFP social services organisations did not have a full understanding of what level of risk was acceptable for their organisation. This lack of risk assessment skills and a poor level of understanding of financial management, particularly the need for the constant scrutiny of the components of the cash flow statement of the organisation, meant that many NFP social services organisations were not being governed by the board directors as effectively as they should be.

Stakeholder respondents noted that many directors did not appear to fully understand their responsibilities under the Corporations Act. In addition, most did not avail themselves of the training resources provided by the Australian Institute of Company Directors, which conducted courses on board governance and financial literacy on a regular basis. This concern over the lack of adequate board governance practices does validate the views expressed by the Australian Tax Office (ATO) following their study of the NFP sector in 2011. That ATO report noted that there was an overall lack of adequate board governance in the NFP sector and that this level was well below that exhibited by the for-profit and Government sectors. (ATO, 2011).

Stakeholders commented:

“You need capability around financial management and risk assessment rather than just avoiding risk.” (ST-27)

“It is vital for a board to change from current and past members to one which is skills based with some client representation” (ST-21).
One stakeholder advised that their Government organisation in the ACT had become so concerned with the poor board governance practices of many organisations in the ACT that it decided to initiate some steps aimed at improving governance. For example, this Government Department requests the board chair to sign the tender document to demonstrate that the board was fully aware of and involved in the tender itself and also formally requests the organisation to advise that it is able to fully meet the future planned requirements of the tender.

(e) Increased Competition

The next issue related to the perception of respondents that the level of competition in the social services segment within the ACT and the surrounding region was increasing. Most stakeholder respondents commented that they had noted that there was growing competition from for-profit organisations in certain areas of social services, especially following the Commonwealth of Australia Government’s Competition Review in 2015. That review had recommended more competition in the human/social services market as it was believed that this would help drive down costs. Most respondents believed that this increase in competition, especially from for-profit organisations, was a good thing. In fact, they commented that many Government departments had expressed a view to them that, in contrast to the NFP social services organisations, for-profit organisations focused on having efficient processes and skilled personnel because their primary goal was to be profitable. Conversely, NFP social services organisations have, over the years, provided their services based on a set of values, with the achievement of ongoing financial surpluses not being a principal driver.

Respondents agreed that in this new environment of Governments putting downward pressure on costs and increased levels of competition, NFP social services organisations needed to better manage their human and financial resources and become more efficient and effective. Additionally, they needed to understand that there was a need for them to increase their marketing efforts by conveying their mission, their services and value proposition to customers in a more convincing manner in order to compete with for-profit organisations.

As one respondent noted;
“Governments are keen to shake things up by allowing more for-profit organisations into this social services market” (ST-22)

(f) **Inadequate Financial and Human Resources**

The final major issue identified by the stakeholder respondents related to their concern over the inadequacy of the financial and human resources of many NFP social services organisations. This, they believed, was impacting on their ability to provide quality services to those people in need and indeed meet the growing demand for social services within the ACT and the surrounding region. The stakeholder respondents expressed the view that they believed many NFP social services organisations were under-resourced in many areas and this impacted on their performance. Their regular contact and communication with many NFP organisations led them to comment that, many of these organisations experienced difficulties attracting experienced and highly qualified staff, primarily because “they tended not to pay very well” (ST-29). Also, these NFP social services organisations often did not offer a career path or engage in training and development of staff.

One stakeholder stated;

“They need to develop a future ready organisation by investing in people skills and ICT for their future sustainability.” (ST-21)

4.3.2. **Stakeholder Suggestions to Improve Organisational Effectiveness**

All stakeholder respondents were invited to make suggestions that they felt could assist NFP social services organisations to improve their overall organisational effectiveness in the light of the challenges that faced them as they operated in the ACT and the surrounding region. Stakeholders made the following suggestions for improvement;

(a) increased customer feedback,
(b) better governance practices,
(c) better use of resources, and
(d) greater collaboration.

These suggestions are outlined below.
(a) **Increased Customer Feedback**

The majority of respondents highlighted the need for NFP social services organisations to initiate mechanisms whereby customers and indeed staff, could provide detailed feedback on the quality of client service delivery and on how well the organisation was operating. Whilst many respondents acknowledged that a number of NFP social services organisations had a regular process of using staff to obtain feedback from customers about the quality of client services provided, they commented that virtually all NFP social services organisations, known to them, did not have any process to regularly capture customer feedback from independent third party sources. They regarded a process that delivered independent feedback, even if it was on a once a year basis, would be extremely valuable as there was no constraint on customers expressing their views openly about service delivery quality and also, customers would be free from possible intimidation by staff members at a later date. These comments from respondents also related to suggestions that NFP social services organisations ought to be regularly seeking to obtain feedback from their staff members and volunteers as to the quality of services being provided. This would demonstrate an organisation’s open approach to eliciting views and opinions from staff on any improvements that could be made to enhance the organisation’s overall effectiveness.

As one stakeholder said:

“You cannot give effective service unless you know what your client’s need and whether you are delivering to meet their needs. You also want staff to feel that they will not be humiliated if they identify areas for improvement.” (ST-24)

Additionally, in the area of customer feedback, the executives from the Commonwealth of Australia Department of Social Services (DSS) advised that Government had been keen for some time to address the issue of customer feedback from customers involved in programmes that were primarily funded by the Commonwealth of Australia Government. The relevant Government minister expressed a desire to be able to advise the taxpayers as to the inputs, outputs and outcomes of Government funded social services. After considerable background work, the Commonwealth of Australia Department of Social Services (DSS) initiated a trial
in 2016 and it focused on gaining output data and some customer feedback from Government funded programmes. This new DSS Data Exchange seeks to show how much is being done and how well it is being done, via client and staff assessment. The new standard client/community’s outcomes reporting (SCORE) web-based portal shows three output measures and two outcome measures, which are inputted by the NFP and for-profit organisations providing social services on behalf of the Commonwealth of Australia Government (DSS, 2016). This new way of reporting provides some uniformity with regard to the assessment of the level of client satisfaction delivered by the provider. Each provider is required to make these assessments and upload the data so that the DSS can monitor the performance of that provider, which has a contract with the DSS. DSS is then able to consolidate all the data from those participating NFP and for-profit organisations operating in the social services segment with contracts with DSS. It is able to show, in a macro sense, both the outputs and outcome measures, as recorded by the staff of the participating organisations. This is a bold initiative by DSS to demonstrate to taxpayers, in a macro sense, whether well-being improvements are being achieved for customers being provided with services in Government funded programmes.

As one of the representatives from the DSS stated:

“The goals and outcome measures will be classified under (i) those clients achieving their goals to underpin improvements in life circumstances, such as skills, behaviour and confidence and (ii) those having improved circumstances to support individual and family independence, resilience, participation and well-being.”
(ST-26)

This is a good first step in encouraging all organisations to regularly obtain feedback from customers. Whilst, this feedback data is not obtained from an independent third party source, it is at least a start in obtaining the views of customers directly before and after services have been provided to them. Interestingly, none of the executives representing the participating NFP organisations referred to this initiative during their interview with the researcher. This was despite the fact that the representatives from the DSS advised that they had just completed a series of information sessions with senior executives of NFP social services organisations
operating in the social services segment, advising them of how the new DSS SCORE system would operate in the future.

(b) Better Governance Practices

All stakeholder respondents expressed the view that there needed to be a significant improvement in the governance skills of board members of NFP social service organisations. The principal areas of concern were in the areas of financial literacy, business planning and risk management, especially given the many challenges facing these organisations. Many of the respondents commented that they believed that all directors of NFP social services organisations should be being encouraged to obtain some form of formal training in the area of governance practices, such as attending courses conducted by the Australian Institute of Company Directors, given the importance of the role of a board director.

One stakeholder commented;

“NFP organisations need to review the skill sets of board members and move people out if they are not willing to be trained in proper board governance practices” (ST-21)

Respondents advised that, whilst most NFP social services organisations had a 2-3 year strategic plan which appeared in brief in the NFP organisation’s annual report, many did not seem to have detailed annual business plans for each part of their business nor an overall annual business plan. According to the respondents, the vast majority of NFP social services organisations seemed to use their annual financial plans and budgets and this was seen as a good governance practice. However, one stakeholder from the ACT Department of Social Services, advised that, because of the Department’s concern at the lack of adequate board governance of NFP social services organisations, this Department had initiated a requirement whereby potential providers (i.e. NFP and for-profit organisations) had to show that they had a one year business plan, a three year strategic business plan and the board chairperson of the organisation was required to sign a document showing that their organisation had the required level of human and financial resources to deliver on the contract/tender with the ACT government. This approach was seen as an important method of assisting NFP social services organisations to adopt better board governance practices.
(c) **Better Use of Resources**

Stakeholder respondents were generally of the view that NFP social services organisations needed to invest more of their limited funds on improving the way their human and financial resources were being utilised. Whilst limited financial resources were an issue, stakeholders believed that many NFP social services organisations needed to try to retain their good staff and also provide an adequate level of staff training. Some form of investment in Information and Communication Technology (ICT) was regarded as crucial if the organisations were to comply with the many new requests for information from Government and others. Also, fast and accurate transfer of data within organisations was an essential part of addressing day to day issues and enabling these organisations to compete effectively and efficiently in the future.

According to the stakeholders, NFP social services organisations needed to develop and utilise their marketing resources in order to better convey the special benefits of their social services, their value proposition and their mission and so help to build a respected brand identity with potential customers and donors. This was particularly relevant now with the introduction of the customer directed care model being adopted by Government in many social services areas, as the new funding model encouraged potential customers and carers to take their funds and then identify which provider(s) they would use and the level of care and social services that they required.

Stakeholder respondents stated;

> “Organisations need to make a big shift to digital technology to survive” (ST-22)

> “There needs to be more staff consistency and also more staff training, especially in the area of caring for elderly people” (ST-30)

There was a consistent theme from most stakeholder respondents about the need to improve the quality of the human resources and ICT within NFP social services organisations, however they were conscious of the limited financial resources of many of these organisations.

(d) **Greater Collaboration**

A number of stakeholders commented that NFP social services organisations should be considering forming alliances or indeed merging some
parts of their business to achieve efficiencies. They suggested that many NFP social services organisations with similar administrative requirements and processes, such as payroll, personnel, purchasing and Information Technology (IT), could be consolidated into a shared services group that catered for the needs of a number of NFP social services organisations. Respondents even suggested such things as sharing infrastructure resources such as office buildings, transportation for clients (e.g. mini buses) etc. as another means of reducing the number and cost of duplicated activities/resources and thereby free up financial and human resources to focus on the core mission of the NFP social services organisation.

As one respondent stated;

“As times get tougher and there is less money around, these organisations should be encouraged to collaborate, as collaboration makes a big difference” (ST-28)

4.3.3. Views about and Ranking of the Organisational Effectiveness Measures

Assessment by Participants

At the conclusion of the formal interview, each stakeholder respondent was provided with a sheet outlining the suggested set of organisational effectiveness measures as set out in Appendix 3. All the executives of the participating stakeholder organisations were invited to comment on the usefulness and practicality of the proposed set of organisational effectiveness measures, which were classified into three broad categories of outcomes accountability, governance and capacity. Overall, all stakeholders responded very positively to the concept of a uniform set of organisational effectiveness measures as it would give an overview and indeed, a common benchmark, of the organisational effectiveness capability of organisations to perform with regards to client outcomes, governance and capacity compared to other NFP social services organisations. Stakeholders noted that this uniform set of organisational effectiveness measures would be a benefit to potential clients, donors and other external stakeholders as it would be a transparent way of demonstrating the overall organisational effectiveness capability of the organisation and provide a timely means of conveying their accountability to stakeholders. Specifically, it would identify
clearly and openly how the end customers and carers regarded both the quality and
delivery of the services being provided by the NFP social services organisation and
also provide an overview of how the organisation addressed issues such as client safety
and risk management.

According to the stakeholder respondents, this set of organisational
effectiveness measures would also provide management with a consistent set of
measures that tracked the many aspects of organisational effectiveness. If these
organisational effectiveness measures were adopted by organisations operating in the
NFP social services segment and uploaded monthly/quarterly onto digital platforms,
such as the organisation’s website, management would be able to compare and contrast
their organisation’s effectiveness with other competitors in the social services
segment. It would also allow management to identify those areas that were below best
practice and encourage management to put in place appropriate strategies and tactics
to improve the performance in those areas.

Stakeholders commented as follows;

“I think a table like this would be of value, especially if it were
placed on the websites of organisations and also on that of the
ACNC” (ST-29)

“It is really not our area, you know, to go into the areas of
efficiency and effectiveness, but in terms of promoting this sort of
transparency, this set of measures would fall within our objective
of having sustainable NFP organisations” (ST-28).

While all stakeholder respondents strongly endorsed the broad concept of
organisational effectiveness measures, they expressed the view that the definition of
each of the measures would need to be clearly stated and be unambiguous. This would
help ensure that all organisations, that were displaying their organisational
effectiveness measures, could compare the results confidently knowing that all the
participating NFP social services organisations were using the same definition for each
measure. One of the stakeholders even suggested that an annual audit of these
organisational effectiveness measures by a qualified auditor, would add considerably
to their value and credibility. In this way NFP social services organisations, and indeed
potential customers and donors, could be assured of the validity and accuracy of the
measures posted on the digital platforms, such as each organisation’s website. A number of the stakeholders stated that a lot of data is being collected now, such as the National Minimum Data Set for people with a disability, but many of these are input and output data rather than outcomes. Comments such as the following were noted.

“Much of this data is already collected and collated but what are we doing with it in an aggregated sense?” (ST-22).

The majority of stakeholders were of the view that measures focused on outcomes and whether organisations were indeed measuring outcomes before and after client received various support programmes was a step forward.

“I think reading through outcome measures would be of interest to both potential clients and their carers, whilst capacity measures are important to government and donors. Also, it would be good if these measures were audited just like the Hearty Smart tick is used” (ST-29).

Stakeholders were supportive of independent studies and the use of the net promoter score concept as well as a clear and concise set of definitions for each measure.

**Importance Ranking of the Organisational Effectiveness Measures**

Following the assessment of the value of a uniform set of organisational effectiveness measures, each of the respondents was requested to rank each of the exploratory list of organisational effectiveness measures, using a Likert scale where “1” was very important, “2” was important and “3” was not important. The rankings from each of the 11 participants were added and then divided by the number of responses in order to obtain an average score for each measure. The average rankings are detailed in Figure 4. 2. below and then commented upon.

**Summary of Importance Rankings**

The organisational effectiveness measures were classified into three broad areas namely, outcomes accountability, governance and capacity. All measures in the outcomes accountability classification ranked by stakeholder representatives were on average between very important and important (i.e. 2 or less). The higher-ranking
measures were ones that showed the number and seriousness level of complaints at 1.2., client and carer satisfaction via an independent survey at 1.4, and a measure showing well-being before and after participation in service programmes at 1.4. These rankings were consistent with the information provided in the interviews, where there was a strong focus on the need for organisations to be as transparent as possible in relation to communicating information directly from customers and staff/volunteers to management and stakeholders. Stakeholders regarded a measure showing how enthusiastic clients/customers/carers would be to recommend the organisation to potential clients via an independent survey using the net promoter score method, as being of lower importance than the others in this classification with an average score of 1.9.

The rankings by stakeholder respondents of measures relating to governance, were spread between “1” and “2”, with the more important measures being the assessment of performance against outcome focused objectives at 1.4, overall legal and regulatory conformance at 1.4, assessment of the level and quality of risk management at 1.4, and the website display of the organisation’s vision, mission and achievements at 1.5. Measures showing an assessment of the level of transparency based on website content and details of annual business and strategic plans ranked slightly lower at 1.7 and 1.8 respectively. Stakeholders regarded measures around the reputation or public perception of the organisation and a listing all directors and the auditor as being of lower importance with rankings of 1.9 and 2.0 respectively.

Measures relating to capacity confirmed stakeholders’ comments during the interviews that a clear indication of the organisation’s financial health was a very important measure with a ranking of 1.2. A measure showing staff and volunteer satisfaction levels was also ranked quite highly at 1.5 reflecting stakeholders’ views during the interviews that management should be liaising closely with and indeed seeking feedback from both their employees as well as their volunteers. The measures focusing on the efficiency of the back-office administration and the fund raising activities, received slightly lower rankings at 1.7 and 1.9 respectively. The ranking of measures concentrating on the content, ease of navigation and accessibility of the website at 2.0 and level of the external financial backing at 2.1, were the lowest of all those in this classification.
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<td>*Assessment of the level and quality of risk management</td>
<td>*level of staff/volunteer satisfaction with employer (1S)</td>
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4.3.4. Conclusion

In conclusion, this small sample of senior executives from stakeholder organisations ranked all the organisational effectiveness measures, except one namely a measure for the level of external financial backing, with scores between very important (1) and important (2) inclusive. The primary emphasis was on those measures showing the accountability of the organisation, whose role it was to provide the best quality of care to its customers and to utilise the funds provided in the most efficient and effective way.

4.4. COMPARISON OF IMPORTANCE RANKINGS BY EACH GROUP OF RESPONDENTS

The average rankings of each group of respondents for each classification were then compared and contrasted to identify any major similarities and discrepancies. These rankings in each classification are depicted below with outcomes accountability shown in Figure 4.3., governance in Figure 4.4. and capacity in Figure 4.5.

Outcomes Accountability

Both groups of participants ranked measures around client/carer satisfaction with the services and the organisation via an independent survey highly at 1.2 for the NFP executives and 1.4 for the stakeholder executives. Measures of well-being before and after programmes were also seen as equally important by both groups with a similar ranking of 1.4. The only major discrepancy between the importance rankings of both groups in this classification, was the measure for the number and seriousness level of complaints. Here stakeholder respondents regarded this measure as being very important with an average score 1.2 compared to a much lower importance score of 2.0 by NFP executives. Stakeholders are clearly seeking great transparency over matters relating to the health and well-being of clients and were keen to see an open and transparent display of the level of complaints, as well as indications of customer and carer satisfaction levels. These views are consistent with society’s concern with the treatment of those in need and those people that are disadvantaged and vulnerable. Both groups ranked the measure showing how customers would recommend the
organisation to other potential customers using the net promoter score method at a lower importance level of 1.7. for the NFP executives and 1.9. for the stakeholder executives. The importance ranking for each measure provided by each group of participants are displayed in Figure 4.3.

**Governance**

There was broad consensus between both groups of respondents over the governance measures with virtually all measures being ranked between 1.3 and 1.9. High rankings were recorded for measures showing the vision and achievements of the organisation and assessment of performance against outcome focused objectives at between 1.2 and 1.5. respectively. There were slight discrepancies in rankings for measures related to compliance with Government contract requirements with executives of NFP social services organisations ranking it at a very important level of 1.3. and stakeholder executives ranking it at a lower level of 1.9. The other major discrepancy was in the rankings for the measure relating to the assessment of the level and quality of risk management. The NFP executives ranking it at a low 1.9. whilst the stakeholder executives gave it a much higher average ranking score of 1.4. This difference reflects to some degree the focus of stakeholders on the need for more prudent oversight of the area of risk assessment and management and indeed more prudent management overall for NFP social services organisations.

It is of interest to note that both groups of participants did not regard measures around the reputation of NFP social services organisations as being very important with both groups giving an average ranking score of 1.8. for NFP executives and 1.9. for the stakeholder executives. Given that all the NFP social services organisations are funded primarily by taxpayers and donors, one would have expected that these organisations would have been keen to know how the public perceives them with regards to their public image relative to other organisations in their field. An annual survey of the most reputable 40 charities in Australia conducted by research consultants, AMR Company, ranks organisations on overall reputation, quality of services, innovation, workplace, citizenship, governance, leadership and cost management. The 2016 results, based on a sample size of 6909 people, ranked the Royal Flying Doctor Service as No. 1, St. John’s Ambulance No. 2 and Beyond Blue No. 3. Those NFP/charities participating in this exploratory research study were ranked between 20th and 34th (AMR most reputable charities, 2016). The importance rankings of each group are shown in Figure 4.4.
Capacity

Both groups of participants ranked measures that reflected the organisation’s financial health and sustainability, such as liquidity ratios surpluses and reserves, as being of greater importance than the other measures in this classification with the NFP executives providing an average score of 1.1 and the stakeholder executives ranking it at 1.2. NFP executives ranked all the other measures in this classification at 1.8 or above. These measures related in the main to the efficiency of fundraising at 1.8, the efficiency of the back office at 2.1. These average scores were similar scores to those of the stakeholder executives at 1.9 and 1.7 respectively. The higher importance ranking by stakeholders for the measure showing the efficiency of the use of back office funds at 1.7. would indicate that stakeholders are seeking more accountability from the NFP social services organisations regarding the use of their funds.

Another small discrepancy between the two groups was shown in the rankings for the measure relating to the level of staff and volunteer satisfaction with the NFP organisation. The NFP executives gave this measure an average score of 1.8 compared to the average score of stakeholder executives at 1.5. This emphasis of stakeholder executives on seeking feedback from staff and volunteers is consistent with their desire for the management of NFP social services organisations to obtain suggestions from their staff as to ways of improving the overall effectiveness of the organisation. The importance rankings for each of the measures as provided by each group of participants are detailed in Figure 4.5.

There were only small discrepancies between the importance rankings provided by the participants in each of the two groups. These small differences resulted from the assessment of the degree of importance of the various measures between “very important” and “important”. It is contended that the main reasons for this convergence of rankings and, indeed the participants’ perspectives about performance management and governance within NFP social service organisations, are due to the fact that all these senior executives have been involved and engaged in this segment for many years and were well aware of the many shortcomings that exist in the provision of adequate outcomes information to both clients and their carers as well as to stakeholder groups. All but 4 of the 21 participants in the survey worked in the ACT and surrounding regions and were therefore intently aware of the key issues being faced by those NFP organisations.
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<tr>
<th>Importance Ranking</th>
<th>NFP Executives</th>
<th>Stakeholders</th>
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<td>*Carer assessment of changes in client well-being</td>
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<td>*Assessment of performance against outcome focused objectives</td>
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<td>*Vision/mission/achievements on website</td>
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<td>*Assessment of transparency based on website content</td>
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<td>*Assessment of performance against outcome focused objectives</td>
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<td>*Assessment of level/quality of risk management</td>
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4.5. CONCLUSION

The findings of this research study into the factors relating to organisational effectiveness in NFP social services organisations operating in the ACT and surrounding region showed that these organisations were facing considerable challenges, including the growing demand for more social services, a heavy reliance on Government funding, a relentless pressure caused by reduced spending by all social services Government departments, constant changes in government regulations and policies and increased competition from for-profit enterprises. These challenges need to be meet by improving the overall management of the organisation’s human and financial resources. There was consensus by both groups of respondents to the adoption of a uniform set of clearly defined organisational effectiveness measures for the NFP social services segment with the measures focused on the three broad areas of outcomes accountability, governance and capacity.

The CEOs/director of the participating NFP organisations regarded this uniform set of measures as a good way of providing a practical benchmark by which organisations could compare their overall organisational effectiveness capability, provided that the measures were regularly updated and uploaded electronically onto digital platforms, such as each organisation’s website. These executives expressed the view that, provided the organisational effectiveness measures were defined in a clear and unambiguous manner, this set of measures would be a helpful management tool as it would encourage the management of those organisations that were not compared favourably with their peers, to institute strategies to improve their performance and governance.

In addition, this set of uniform measures would provide all stakeholders, especially potential clients, donors and Government with a transparent and timely means of assessing the various components of the overall organisational effectiveness capability of NFP social services organisations. The open support of the ACNC, the not-for-profit and charities regulator, in the interview stage of this exploratory research study, together with the positive feedback from major advocacy bodies, such as the ACT Council of Social Services, ACT Carers’ Association, the Heath Care Consumers Association and the Association of Children’s Welfare Agencies, would indicate that this set of organisation effectiveness measures could prove to be a meaningful and transparent tool to demonstrate the accountability of NFP social services organisations.

It was suggested that this research study should be extended to the broader NFP social services community across Australia, so that these organisational effectiveness...
measures could be assessed by a larger audience and hopefully be made universal and
generalizable. Once there was broad agreement to the concept of a set of uniform
organisational effectiveness measures, the definition of each measure would need to
be established and agreed to by the majority of NFP social services organisations. Once
these steps had been taken, these organisational effectiveness measures could be
instituted by NFP social services organisations as a new way of bringing greater
transparency and accountability to the whole NFP social services segment.

The management and policy implications, that result from these findings, are
detailed in chapter 5.
Chapter 5

CONCLUSIONS

AND

IMPLICATIONS
5.1. INTRODUCTION

This chapter commences with a brief background of the NFP social services segment in Australia and identifies the key issues confronting it in the ACT and the surrounding New South Wales region, as described by the two different groups of participants in the research study, namely senior executives representing NFP social services organisations and advocacy groups, Government Departments and other stakeholders. This background is followed by a summary of the academic literature relating to the subject of organisational effectiveness in NFP organisations, drawn primarily from the UK, USA and Europe. In these countries, the term “non-profit organisation” (NPO) is used instead of the term “not-for-profit” organisation (NFP) which is used in Australia to describe those organisations which use their income and assets to achieve their mission and objectives without distributing any income, surpluses or assets to its members.

Following the review of the extensive academic literature on this subject, the chapter outlines a conceptual framework of organisational effectiveness measurement that formed the basis of a proposed set of uniform organisational effectiveness capability measures, which were evaluated by the participants in this research study. The justification for the research method used follows along with a summary of the in-depth qualitative research conducted with the two separate groups of participants, which includes their responses to the research questions. One of the groups represented NFP organisations operating primarily in the Australian Capital Territory (ACT). Of the nine organisations, two also operate in New South Wales (NSW), which encircles the ACT. As such it was deemed appropriate to use the term “the ACT and the surrounding region” to more accurately describe the coverage of the NFP social services organisations participating in this study. The other group represented stakeholder organisations, including government departments and various advocacy bodies.

The chapter continues with a detailed description of the major contribution of this research study, more specifically, a management and stakeholder tool for the assessment of organisational effectiveness capability of NFP social services organisations. In addition, reference is provided on how this new assessment tool could have relevance to other segments of the Australian NFP sector, such as that of education and research and health care.

The implications for management practice and policy, in the NFP social services organisations operating in the ACT and surrounding region, of introducing
this unique set of uniform organisational effectiveness capability measures are then outlined together with a brief overview of how this assessment would be implemented. The limitations, that restricted this exploratory research study, are summarised and the chapter concludes with the prospects for future research on the subject of this thesis.

5.2. BACKGROUND

5.2.1. Australian NFP Social Services Segment

The NFP sector of the Australian economy covers a range of organisations which receive funding both from the Australian governments, both federal and state, and other philanthropic donors in order to provide specific services in various areas. The Australian Bureau of Statistics (ABS) reported that, in 2012/13, this sector was funded to the amount of $107.5 billion of which, the NFP social services segment, being the second largest segment after education and research, received $19 billion (ABS, 2014). Whilst more recent market data is not available from the ABS, IBISWorld, a private statistics organisation, estimates that the income received by both NFP and for-profit social services organisations stood at $51 billions for the 2016/17 years, an increase of 7.8% over the previous year (IBISWorld, 2017). Given that NFP organisations have been major participants in this social services segment, this market size estimate would indicate a large growth over recent years in the NFP part of the total segment. This exploratory research study has been conducted in the NFP social services segment in the ACT and surrounding NSW region.

The recent slowing in the Australian economy has both reduced the amount of funding available to government and increased the need for social services. These factors have forced governments to both look for ways to reduce their participation in the social services segment and to ensure that the money they do expend, achieves the public goals they have set. These dynamics apply equally to funders, who are just as interested in seeing the money they give, having the maximum impact.

Given the growing societal demand in Australia for more accountability from those organisations that receive funding, the Australian Government instructed the Australian Productivity Commission to enquire into the NFP sector and it found that whilst NFP organisations measured their inputs and outputs, they lacked adequate performance measurement of client outcomes. The Commission also found that there was a need to improve performance efficiency and effectiveness and to promote a best practice approach to performance evaluation and governance (Australian Government...
Productivity Commission, 2010). This lack of true accountability by NFP organisations to their stakeholders was explored further in 2011 in a review by the Australian Tax Office (ATO) which found a lack of adequate governance practices within the NFP sector and that this level was well below that exhibited by the for-profit and Government sectors (ATO, 2011).

Whilst the Australian Charities and Not-for-profits Commission (ACNC), as part of the Australian Tax Office, requires all charities to send financial data to the ACNC yearly, along with details of their activities, this requirement does not currently apply to NFP organisations unless they also have a charities department, which is responsible for fundraising. The charity part of the organisation receives tax free status and can offer tax deductibility on donations above $2, however in neither case are formal measures of performance or client outcomes required by the ACNC. The situation is made more extreme because the lack of clear guidelines as to what is required and how it is to be set out, has resulted in different organisations making different assumptions as to what is to be provided and this makes comparison between organisation problematical. The ACNC recognises that the current state of affairs is not ideal and there is therefore the likelihood that Government may come to achieve greater transparency through legislation.

This situation is similar to the reporting process for charities in the UK, where they are required to send financial data, a description of their activities and how they plan to assist beneficiaries, to the Charities Commission of England and Wales. Morgan and Fletcher (2013) found however that there was a low level of compliance with the requirements of the Charities Commission and very poor reporting of outcomes and benefits. Their findings were endorsed by Morrison (2016), who reported that many NPOs are under great pressure to maintain and report performance measurements to multiple funding sources and there was a lack of a consistent performance measurement reporting format, which was a significant challenge for understaffed NPOs.

The lack of adequate reporting of client outcomes and overall performance continues to be evident in Australia, based on a review conducted in 2017 by the Australian Government Productivity Commission into the spending and reporting practices of those organisations (mainly NFP organisations) providing services to people with a disability who are supported under the Australian Government’s National Disability Insurance Scheme (NDIS) (Australian Government Productivity Commission, 2017). The Productivity Commission found that both NFP and for-profit
organisations did not have practices that measured client outcomes nor obtained direct client feedback on the quality of the services provided. As this scheme was budgeted at $4.4 billion in 2017/18, the Commission was keen to determine whether the people receiving funding under the NDIS, were in fact gaining the quality services they should and whether there was an improvement in their overall well-being (Australian Government Productivity Commission, 2017).

The above factors led this researcher to conclude that there appears to be a lack of adequate and consistent measurement of client outcomes and a below average level of governance in many NFP organisations in Australia. Focus was then directed towards identifying what methods, if any, Australian and/or overseas researchers had developed in order to assist management executives measure the organisational effectiveness capability of NFP social services organisations and be more openly accountable to their stakeholders. It also became evident from the research with both executives and stakeholders of NFP organisations that there was a great and growing need to have a tool that was easy to use and would provide both executives and stakeholders with important information about the ability and performance of particular NFP organisations whilst also enabling customers/clients to use the information to make informed views as to the suitability of the organisation to be able to fulfil their requirements.

5.2.2. Summary of Literature Review

Over the past 70 years, there has been extensive academic research in the field of NFP organisational effectiveness measurement with numerous approaches and conceptual models being developed. However, the establishment of a set of specific and uniform organisational effectiveness capability measures, that can be used by the management of NFP organisations, has been elusive, possibly because of the multiplicity of these conceptual approaches. In order to develop a set of such measures, this researcher decided to create a conceptual framework of organisational effectiveness capability measures based on the detailed review of the academic research. In order to achieve this, it was necessary to define what is understood by researchers to constitute “organisational effectiveness”.

In an attempt to find a clear and practical definition of organisational effectiveness, Mitchell (2013) sought the views of senior managers in the field of non-profit activities in the USA, and most defined organisational effectiveness as outcomes accountability, whilst a smaller number defined it as overhead minimisation and
achieving the fund-raising goals (Mitchell (2013). A comprehensive review of the academic literature on organisational effectiveness by Baruch and Ramalho (2006) identified some broad criteria for defining and measuring organisational effectiveness and these were such things as, efficiency, productivity, growth and/or market share, reputation, quality and customer orientation. Other researchers had various opinions but the most recent view was proffered by William, Jegers and Faulk (2016) who opined that organisational effectiveness covered the manner in which an organisation reaches its goals through internal processes and external programmes.

Whilst a number of conceptual models claimed to be proxies for organisational effectiveness, this researcher identified five main approaches to organisational effectiveness, namely (a) goal attainment, (b) internal processes, (c) systems resource, (d) reputational and (e) strategic constituencies. These approaches formed the basis of a conceptual framework of organisational effectiveness measures detailed at the end of Chapter 2 as Figure 2.2 and as Figure 5.1. Each of these approaches contained various measurement dimensions, which were arranged into specific and practical organisational effectiveness measures, and these were then empirically tested with the two groups of research study participants.

The first approach focused on goal attainment and the achievement of self-selected goals. Etzioni (1964) and Jones (1995) contended that organisations are formed so that they can achieve specific goals and goal attainment is a good measure of organisational effectiveness. In the case of NFP organisations, Moulton and Eckerd (2012) and Lee and Newell (2015) noted that their major goal was the well-being and happiness of the customers/clients and this created a public or social value.

The second approach, of internal processes, was developed by Georgopoulos and Tannerbaum (1957) and it focused on internal productivity and employee commitment as indicators of organisational effectiveness. Bhargava and Sinha (1992) developed this approach further and found that four process components, namely productivity, leadership, commitment and interpersonal conflict were important in improving organisational effectiveness.

The third approach to organisational effectiveness was the systems resource approach, which was developed by Georgopoulos and Tannerbaum (1957) and extended by Yuchtman and Seashore (1967). This approach regarded an organisation’s success and growth as a type of proxy for organisational effectiveness. It viewed an organisation’s effectiveness as a reflection of how well the organisation was able to obtain its resources from the society and use them to achieve both growth and long
term sustainability. Iwu, Kapondora, Twum-Darko and Tengeh (2015) found that both financial and non-financial factors should be measured to assist in determining whether an NPO does deliver on its mission and was sustainable over time. Prentice (2016) suggested that measures such as liquidity, solvency, profit margins and overall profitability, could also be used as part of the systems resource approach.

The next approach was the reputational one proposed by Georgopoulos and Mann (1962). It regarded the perceptions of the members of the public about an organisation as a valuable reflection of its effectiveness. Forbes (1998) endorsed this approach and noted that “the reputational approach sought to align the effectiveness criteria with the satisfaction of the various constituencies, such as customers, staff and donors” (Forbes, 1998, p. 186). Extensive research by Herman and Renz (1998) in USA health and welfare charities added to this view that detailed feedback from stakeholders was a credible way of evaluating an organisation’s effectiveness. This reputational approach was further endorsed by Aldrich (1999), who was of the view that the organisation’s reputation or standing in society affects the firm’s ability to attract both the funds and the suitable employees it needs, to deliver the mission of the organisation. Baruch and Ramalho (2006) found that non-profit organisations focused on certain criteria to ascertain their effectiveness and these were mainly the organisation’s reputation, morale and commitment, and customer and employee satisfaction. Finally, Willems, Jegers and Faulk (2016) noted the perceptions of individual stakeholders, including customers/clients and carers, about the organisation’s performance, has a major influence on their trust of the organisation and its reputational standing in their eyes. It is seen as important therefore that a future set of measures should include a measure of how stakeholders assess the reputation of the organisation and its performance in delivering client outcomes.

The last approach, namely the strategic constituencies approach, was developed by Cameron (1986) and focused on the feedback of stakeholders as the major way of judging an organisation’s effectiveness. This approach was endorsed by the Australian researchers, Steane and Christie (2001), and Spitzeck and Hansen (2010), who found that NFP boards followed the stakeholder theory approach to governance rather than a stewardship or shareholder theory and that detailed feedback from stakeholders was critical to the survival of an organisation.

These various approaches to organisational effectiveness formed the basis of this researcher’s conceptual framework of organisational effectiveness measures, and
measures were further derived from a number of broader measurement dimensions detailed in the literature.

Two broad accountability dimensions, namely management capacity and management outcomes, were developed by Sowa, Selden and Sanford (2004). They proposed that measures relating to financial health and sustainability, as well as customer and employee satisfaction would be appropriate indicators of organisational effectiveness. Dhanani and Connolly (2012) endorsed this view of a multi-dimensional set of indicators of organisational effectiveness and identified four broad accountability dimensions, namely strategic, financial, fiduciary and procedural. A similar set of dimensions was developed by Boateng, Akamavi and Ndoro (2016) and it focused on financial measures, management effectiveness, stakeholder involvement, customer satisfaction and benchmarking with government standards. Moxham and Boaden (2007), Ebrahim and Rangan (2010), Bagnoli and Megali (2011), all noted similar dimensions that focused on areas such as economic/financial, social effectiveness, client satisfaction and institutional legitimacy. However, there is limited evidence of a detailed set of specific measures being linked to these broad dimensions, that have been empirically tested.

Research by Herman and Renz (2008) identified other dimensions including program outcomes, community consultation, public image or reputation, board governance, human resource measurement, fund raising, financial management, working with volunteers and government relations. A number of these dimensions were reflected in a research survey by Liket and Maas (2015) with Dutch focused NPOs, and this study identified nine different management themes that relate to the important characteristics of transparency (e.g. adequate reporting), organisation (e.g. clear mission statement) and programme evaluation (e.g. customer feedback). McKernan, Kennedy and Alfred (2016) noted that a results-based management approach, styled on earlier work by Osborne and Graebler (1992) and Friedman (2005), did lead to better performance outcomes and the communication of these results led to funding increases from US donors.

Finally, Soysa, Jayamaha and Grigg (2016 developed a conceptual model that could assist organisations utilise the Kaplan and Norton (1996) Balanced Scorecard performance management framework as a means of supplementing their current reporting practices, which focused primarily on financial metrics. Soysa et al. (2016) created a “nine dimensions performance measurement system” which contained causally related performance measurement dimensions which included mission and
core values, strategy, organisational capabilities, people development, financial health and sustainability, processes and the satisfaction of clients, donors and people.

These numerous approaches and measurement dimensions were considered in the conceptual framework for the measurement of organisational effectiveness outlined in Figure 5.1. However, this researcher was of the view that these dimensions needed to be more focused on areas that would assist NFP social service organisations to achieve their mission in the best possible way. Based on this detailed literature review, three broad dimensions, namely outcomes accountability, governance and capacity were created along with a set of organisational effectiveness measures.

The first broad dimension, detailed in the conceptual framework of organisational effectiveness measures, is that of outcomes accountability as it best encompasses the importance for NFP social services organisations of actually delivering on their mission and providing the best outcomes for the customers/clients that they serve. This researcher then developed measures that related to these factors. In addition, it was believed that determining whether there is regular monitoring by staff members and independent evaluators of changes in the well-being of customers/clients before and after the delivery of various programmes, were important measures to include. Further, measures of the level of the reputational standing of the NFP social services organisation as viewed by both current customers/clients and their carers, were also important indicators, as noted by Herman and Renz (1998), Baruch and Ramalho (2006) and Willems, Jegers and Faulk (2016). In addition, measures indicating the numeric level of complaints as well an assessment of management’s capability of handling these complaints were seen as vital evidence of an organisation’s ability to deliver good outcomes for their customers/clients.

The second broad dimension of governance was derived from research conducted by Green and Greisinger (1996), Brown (2002), Sowa, Seldon and Sandford (2004), Herman and Renz (2008) and Spitzeck and Hansen (2010), who all highlighted the importance of a thorough board governance process and the need for an experienced board of directors with a diverse set of skills, to ensure good organisational performance and conformance to all regulations. Based on the above, a number of specific measures were developed and these included a demonstration of the organisation’s adherence to its mission and an acknowledgement that the board of directors was adopting best practice governance guidelines. In addition, an indication of the evidence of a risk management process as well as its reputational standing were seen as being important measures.
The final broad dimension of capacity was derived from the research of Yuchtman and Seashore (1967) and endorsed by Dhanani and Connolly (2012), Iwu et al. (2015) and Prentice (2016). They noted that an organisation’s success and effectiveness over a period of time was a function of how well it competed for and used both its financial and non-financial resources. Saxton and Guo (2011) determined that the evidence of capacity was the dominant factor in their model of accountability. Based on the above, specific financial and non-financial measures were developed to identify the financial health and sustainability of the organisation as well as measures relating to the efficiency of fund raising strategies and back office efficiencies. In addition, measures were included to identify the level of both staff and volunteer satisfaction with the NFP social services organisation.

All the proposed organisational effectiveness dimensions and the associated measures were then presented in a way that enabled all the participants in this qualitative research study to make an assessment of and commentary about the value and practicability of these measures.
Figure 5.1 Conceptual Framework for the measurement of Organisational Effectiveness

Approaches to Organisational Effectiveness

- Goal Attainment
  - Outcomes
  - Sustainability

- Strategic Constituencies
  - Governance
  - Accountability

- Reputational
  - Perceptions
  - Transparency

Systems Resources

  - Resource Efficiency
  - Financial Health

Broad Measurement Dimensions

- Client Satisfaction
  - Level of Quality and Services
  - Before and After Measures of Well-Being of Clients
    - Public Value
    - Public Impact
    - Advocacy
    - Benchmarking
    - Social Return On Investment (SROI)

- Stakeholder Involvement
  - Legal/Regulatory Conformance
  - Responsiveness
  - Collaboration
  - Quality Accreditation
  - Risk Management

- Net Promoter Score
  - Trust
  - Stakeholder Satisfaction
  - Social Responsibility
    - Public Image
    - Credibility
    - Legal, Clinical and Regulatory Compliance

Outcomes

  - Accountability

Governance

Capacity

- Working Capital
- Medium Term Liquidity
- Level of Funding From Government, Donors, Fundraising
- Fund Raising Expenses as % of Revenue From
  - Employee/Volunteer Turnover
  - Employee/Volunteer Satisfaction
5.2.3. Research Design

This exploratory study used a qualitative research approach involving 17 face to face and 4 telephone interviews, with the senior executives from NFP social services organisations operating in the ACT and the surrounding region, as well as senior executives from a range of stakeholder organisations, including advocacy groups, Commonwealth of Australia and ACT Government Departments of Social Services and the Australian Charities and Not-for-profits Commission. The interviews between the researcher and the above participants took place between May 2015 and February 2016.

The research questions at the centre of this research study were addressed in a series of in-depth face to face and telephone interviews, which were undertaken using a semi structured questionnaire with each of the participants. There were nine CEOs and one director representing nine NFP social services organisations operating in the ACT and the surrounding region and 11 senior executives representing the relevant advocacy organisations, such as the ACT Council for Social Services, and various Government Departments and these organisations are displayed on Tables 3.5 and 3.6 respectively. The interview process resulted in detailed comments and perceptions being obtained about the present issues and challenges facing the NFP social services segment in the ACT and the surrounding region, the current process of performance and organisational effectiveness measurement and details of the possible strategies aimed at improving the performance of these NFP organisations. At the conclusion of each interview, the respondents provided their evaluation of this researcher’s proposed set of organisational effectiveness measures, which are set out in Appendix 3. Each of the participants rated each of the 22 measures in terms of their importance or otherwise and provided comments to this researcher as to the usefulness or otherwise of these organisational effectiveness measures.

5.2.4. Summary of Responses to the Research Questions

The participants from each of the two different groups, namely those representing NFP social services organisations and those representing stakeholders, addressed the research questions relating to the broad subject of organisational effectiveness measurement. The findings relating to each of the research questions are reviewed in brief below. The first question sought information from each of the executives of the participating NFP organisations as to the nature and composition of
the performance measures being used by each organisation to ascertain their overall effectiveness.

“How do Australian NFP social services organisations presently measure their organisational effectiveness”.

The senior executives, of each of the nine participating NFP social services organisations interviewed, advised that the measurement and monitoring of financial performance was their primary measure of organisational effectiveness. Although, staff members were usually monitoring the progress of customers/client’s in terms of their well-being, both before and after various support programmes, only one of the nine organisations in the sample used a regular independently sourced customer/client satisfaction survey with its clients and carers to obtain direct feedback on the quality and timeliness of their service delivery. None of the organisations sought independent feedback on their reputational standing with their stakeholders, nor was there any regular feedback, concerning the performance and culture of these organisations, sought formally from their employees and/or volunteers via an independent survey process.

These findings are similar to those identified by Moxham (2009) in a study of UK non-profit organisations, which showed that organisations regarded their financial performance as the primary demonstration of whether they were achieving their mission and being effective. In the USA, the two largest independent charity evaluation organisations, namely Charity Navigator and the American Institute of Philanthropy, use the financial data provided to the US Inland Revenue Department and the financial information displayed on the website of each charity and non-profit organisation, to provide a rating of the effectiveness of these organisations. In a study by Greiling (2010) with German non-profit organisations operating in the social services and healthcare areas, Greiling (2010) found that the management of most of these organisations relied predominantly on financial measures to the detriment of other measures, such as client outcomes. Morrison’s literature review (2016) confirmed that UK non-profit organisations still rely on financial measures to reflect their performance, rather than incorporating a series of non-financial indicators.

All the executives of the participating NFP social services organisations in this Australian research study commented that they regarded their Annual Report as their organisation’s major statement of accountability to their stakeholders and its way of
demonstrating that the organisation was meeting its mission. This Annual Report, which is released some 4-6 months after the end of the financial year, presents a comprehensive overview of the activities of each NFP social services organisation, including input and output data, a mission statement, a small number of case studies depicting the progress made by various clients and the audited financial statements.

It is important to note that some of the larger NFP organisations were starting to explore the use of various internal assessment tools, such as the Strengths and Difficulties questionnaire, the Health and Wellness questionnaire as well as assessments of well-being before and after various programmes. One respondent advised that their organisation had started to implement the Results-Based Accountability reporting tool, developed by Osborne and Graebler, 1992. This does provide a means for staff of the NFP social services organisation to obtain feedback from clients as to the benefits provided by the various support programmes. Only one of the nine participating NFP social services organisations reported that they used an independent research consultancy on a regular basis, to conduct customer and employee/volunteer satisfaction surveys, monitor how well the organisation was meeting its mission and determine how effective the various social services programmes were in meeting the needs of their customers/clients.

Based on this feedback from the Chief Executive Officers and one director of the participating NFP social services organisations, it appears that all these organisations use a variety of performance measures, which are primarily internally focused with little independent external evaluation made of the quality of the services provided, such as independent customer and carer satisfaction surveys. All organisations pay close attention to their financial situation and monitor their spending in each of the programme areas. However, there does not appear to be any set of commonly used measures of organisational effectiveness being used by those NFP social services organisations, which participated in this study.

The second question sought information from each of the executives of the participating external stakeholder groups as to the types of organisational effectiveness measures that they would like to be able to access in order to evaluate the quality of each NFP organisation’s service delivery and indeed their contribution to society.

“What organisational effectiveness measures are sought by clients and stakeholders, including Government, from these organisations to help
assess the service delivery outcomes and contribution to society, given that NFP organisations must act in the public interest?”

Given that most of the stakeholders interviewed expressed considerable concern over the financial viability of the majority of NFP social services organisations operating in the ACT and the surrounding region, and over their lack of accountability, these stakeholders sought a number of measures that focused on providing timely evidence of the financial health of the NFP social services organisation, as well as some evidence of the level of customer/client feedback on outcomes, governance matters and the reputational standing of the organisation. In fact, one of the major stakeholders, namely the Commonwealth of Australia Department of Social Services (DSS), advised that it had commenced in 2015/16 an extensive trial of a new standard client/community’s outcomes reporting (SCORE) web-based portal to gain an indication of what was being achieved in Government funded programmes. This trial aims to capture the outcomes of the social services activities that are being provided to the community and then report these to Government. Essentially, those organisations, receiving Government funding for service delivery programmes, must provide three output and two outcome measures onto the Department’s web-based portal each month. The two outcome measures or client feedback responses are gathered by the staff of the social services organisation providing the service. These results are tabulated on a regular basis and provided back to the Department so that the information can be aggregated for the various support programmes and reported to the relevant Government minister. In this way, the Commonwealth of Australia Government Minister is able to report to the public on how the Government’s social services funds are being used and the number of improvements being made in client well-being outcomes by the Department working together with particular social services organisations. This information is not available to the general public and therefore it cannot be used to evaluate the overall performance of the organisation.

All stakeholder respondents in this study indicated that NFP social services organisations need to be more accountable for their activities, given that the vast majority of these organisations receive over 60% of their funds from Government sources via taxpayers, as well as additional sums from donors. Stakeholders also wanted these NFP social services organisations to indicate what measures were being taken to show the improvement in the well-being of their customers/clients on a regular
basis. This was regarded as being important as organisations could use this data to
determine whether changes needed to be made to programme delivery to better address
the needs of customers/clients.

This customer/client feedback following participation in various programmes,
was also identified by Ebrahim (2003) as an important management practice. Whilst
many NFP social services organisations instruct their staff to measure the changes in
well-being of their customers, many of the stakeholder respondents were of the opinion
that these NFP social services organisations needed to measure customer/client and
carer satisfaction, using independent third party sources as well. They were of the view
that evaluations conducted by external parties provided a much more objective and
valuable indicator of how well the organisation was meeting its mission goals. This
type of measure would demonstrate the organisation’s outcomes accountability in a
very transparent manner. Stakeholders acknowledged that an evaluation of
customer/client outcomes, using independent third party sources, would be seen by
them as a very important initiative by NFP social services organisations.

The need for greater transparency and accountability expressed by these
stakeholder respondents during the interview process, was endorsed by previous
academic studies of NFP organisations. Morley, Vinson and Hatry (2001), Morgan
and Fletcher (2013) and Fowler and Cordery (2015) all found that few non-profit
organisations reported outcome data to their stakeholders in a detailed manner, even
though funders, in particular, were keen to see a demonstration that the NFP
organisation was indeed delivering on its mission. The eternal stakeholders expressed
a strong desire for greater accountability by these organisations in a more open and
transparent manner. Finally, a small study by Tweedie (2016) with 23 Australian NFP
staff, directors and regulators, found that NFP staff and directors want to be
accountable but there are many sizable barriers to being accountable for the quality or
impact of their services. They stated that these barriers were primarily the poor
reporting of service quality delivery, a lack of informed and active board members and
excessive regulatory reporting requirements, that are centred on inputs and outputs.
These views were endorsed by the participants in this research study as they claimed
that they did not have the resources to undertake regular and extensive reviews of
service quality delivery and initiate external surveys.

External stakeholders in this research study, such as the advocacy groups and
Government agencies, were particularly critical of NFP social services organisations
not providing any clear measures of their effectiveness in a transparent manner. They
were concerned at the lack of adequate governance practices of board members as well as their poor financial literacy. In addition, they noted the general lack of disclosure of the benefits provided by the various support programmes, and whether they were bringing about positive improvements in the well-being of customers/clients.

“Would a uniform set of organisational effectiveness measures, focused on outcomes accountability, governance and capacity, provide a transparent means of demonstrating their accountability to their clients, potential clients, donors, other stakeholders and the general public, as well as being a valuable management tool?”

The third research question was directed at both groups of participants and sought to gain their views on the practicality and usefulness of a set of uniform organisational effectiveness measures, focused on outcomes accountability, governance and capacity. This question also requested feedback on whether this set of measures would help demonstrate the organisation’s accountability in a much more enlightened way and also whether this set of measures would help in identifying areas for performance improvement.

All the participating executives involved in this research study, responded very positively to this researcher’s proposed set of organisational effectiveness measures. All respondents ranked 20 of the 22 suggested measures of organisational effectiveness of NFP social services organisations, as being between very important and important. These results are portrayed in Figures 4.1 through to Figure 4.5. in chapter 4 of this thesis. These measures of organisational effectiveness are aligned with the three broad dimensions, namely outcomes accountability, governance and capacity as these represent, in the mind of this researcher, the core areas of demonstrating organisational effectiveness capability of NFP social services organisations.

Many executives noted that being able to use these types of measures to help market their organisation’s quality services and effectiveness, would prove to be very valuable in promoting their organisation as a reputable provider, particularly to those customers/clients accessing the new customer directed care funding model and the National Disability Insurance Scheme. These executives reported that many NFP organisations were facing a situation where they would need to market their offerings but lacked both the skills and resources to successfully do so. The senior executives
from all the participating NFP social services organisations also noted that the proposed set of organisational effectiveness measures would provide a valuable management performance improvement tool for their organisation, particularly as they could make comparisons against best practice and with other organisations, provided the vast majority of NFP social services organisations in each state of Australia, are prepared to update and upload the set of organisational effectiveness measures onto their digital platforms, such as their website. These senior executives agreed that uploading these organisational effectiveness measures would bring added transparency and credibility to their organisation and help to enhance their reputation as a trustworthy and valued NFP social services organisation. Most of these executives endorsed the use of independent third parties to conduct the customer and carer satisfaction surveys and the measurement of the organisation’s reputation using the net promoter score method. This method requests customers and carers to rate their likelihood to recommend the particular NFP social services organisation to potential customers, based on such factors as the delivery of service quality, timeliness, responsiveness to complaints, the quality of staff and volunteer care. It uses a scale of 1 to 10, where 10 is highly recommended and 1 is definitely not recommended. There was some concern expressed by some respondents, regarding the cost of capturing this survey data from customers/clients and carers by independent third party sources, however the participating executives acknowledged the value of this information.

All stakeholder respondents noted that the proposed set of organisational effectiveness measures would be of benefit to potential customers/clients, donors and other external stakeholders. They were of the view that a visual display of the proposed set of organisational effectiveness measures would be a transparent way of demonstrating the organisation’s accountability to the public. It would display how the organisation was judged by customers/clients and carers and it would also identify whether the board was exhibiting good governance practices, such as adopting risk management processes, and the organisation’s conformance to Government regulations.

The participating stakeholders noted that this set of organisational effectiveness measures would provide greater transparency regarding the organisation’s performance outcomes and impact on society. Stakeholder respondents commented that this set of organisational effectiveness measures would go a long way to addressing the concerns outlined in a 2016 survey of the NFP sector by the Australian Institute of Company Directors, which highlighted the need for greater transparency,
greater accountability for the funds provided to NFP organisations, greater focus on obtaining direct customer/client feedback concerning service quality delivery, better board governance practices and a means of regaining the public’s trust in NFP and charity organisations, which has fallen to a low level, following some misappropriations of donor funds, sanctioning of various organisations by the Commonwealth of Australia’s Department of Social Services and indiscretions by a number of board directors (AICD Governance and Performance study, 2016).

The representative from the Australian Charities and Not-for-profits Commission (ACNC) commented during the interview with this researcher that, whilst the ACNC is not involved in assessing the efficiency and effectiveness of charities and NFP organisations, it would regard this set of organisational effectiveness measures as a valuable contributor to one of the objectives of the ACNC, which is to have sustainable NFP organisations. This ACNC representative noted that the adoption of this proposed set of organisational effectiveness measures would promote transparency, which the ACNC is keen to foster amongst charities and NFP organisations (http://www.acnc.gov.au, 2017).

All the participants in this research study noted that the definition of each of the measures needs to be unambiguous, clear, consistent and comparable. This consistency in the definition of each of the measures, is seen by all participants as being vital to the success of the adoption and use of this proposed set of uniform organisational effectiveness measures as an assessment tool for management and board directors. Most respondents claimed that there is often a different interpretation of the definition of a measure and so this needs to be addressed upfront, as it is crucial that the definition of each measure is endorsed by the vast majority of those operating in the NFP social services segment in each state of Australia. This is most important as each NFP social services organisation will benefit from being able to compare the measurement data against their peers, provided the measures are unambiguous, comparable and remain consistent.

Each of the senior executives from the two participating groups, was requested to rate the importance of each measure included in the three broad dimensions of outcomes accountability, governance and capacity, and eliminate any measure that they regarded as not being important. Based on the ratings of each of the participants, a revised list of organisational effectiveness measures was compiled, where there was consensus in the rating of each measure as being between very important and important. There were only two out of the 22 measures where there was not complete
consensus by both the groups. These two measures, namely the level of external financial backing and the efficiency of the Head Office/ administration expenses, were eliminated from the final list of measures.

The organisational effectiveness measures agreed to by the participants in this research study and regarded as worthy of being in a set of uniform organisational effectiveness measures for NFP social services organisations are detailed below:

**Outcomes Accountability**

Level of customer/client and carer satisfaction using an independent third party source;
Status of accreditation;
Number and seriousness level of complaints;
Customer/Client well-being measures before and after service delivery;
Carer assessment of changes in customer/client well-being; and
Customer/Client and also carer recommendations to potential clients, using an independent third party source and the net promoter score method.

**Governance**

Vision, mission and achievements detailed on the website;
Overall conformance – legal and regulatory;
Level of compliance with government contracts;
Assessment of performance against outcomes focused objectives;
Assessment of the level/quality of risk management;
Broad details of business plan and strategic plan on the website;
Reputation of the organisation as determined by stakeholders, using an independent third-party source;
Assessment of the level of transparency based on website content, using an independent third-party source; and
Detailed listing of the names of the board directors and the auditor.

**Capacity**

Financial health and sustainability (e.g., liquidity ratio, profit return on revenue, profit return on net equity);
Level of staff and volunteers’ satisfaction, using an independent third-party source; and

Efficiency of fundraising activities (i.e. ratio of fundraising costs relative to the funds received from the fundraising).

Based on the detailed feedback from participants, these specific measures of organisational effectiveness were then refined further by the researcher into a format, which would allow the management of the NFP social services organisations to provide an assessment of their organisation’s capability in each of the broad areas of outcomes accountability, governance and capability.

5.3. IMPLICATIONS FOR MANAGEMENT PRACTICE AND POLICY

The findings of this research study have identified a number of important implications for management practice within Australian NFP social services organisations, as well as policy recommendations for Government, aimed at improving the effectiveness and efficiency of the substantial funds being spent on social services within our society.

5.3.1. Management Practice

The principal contribution of this Australian research study is the creation of an assessment tool for the measurement of the organisational effectiveness capability of NFP social services organisations, as described in Figure 5.2. Four assessment forms make up this effectiveness capability measurement tool and are detailed at the end of this section.

The benefits of this proposed assessment tool are that a uniform, practical, timely and transparent means of demonstrating the accountability of NFP social services organisations, would be available to all their stakeholders, particularly potential customers/clients, carers, donors and Government Departments. It would also provide management with an evidence based performance measurement process, that would allow them to benchmark their performance against best practice. Provided the vast majority of NFP social services organisations in each state of Australia are prepared to undertake the measurement process every 6 months and upload the
assessments data onto various digital platforms, including their websites, management would be in a position to compare and contrast the performance of their NFP social services organisation against that of other similar NFP social services organisations. Management would also be able to identify those areas that require performance improvement and determine the most appropriate strategies. All stakeholders of organisations in the NFP sector would be able to critically appraise the effectiveness capability of NFP organisations in a transparent and consistent fashion. The management and the directors of these NFP organisations would be able to use this assessment of organisational effectiveness capability format as a timely way of demonstrating their organisation’s accountability to their stakeholders with specific and relevant customer focused outcome data, which has been uniformly captured across the specific NFP segment, as well as using it to assess their effectiveness capability relative to their peers. This assessment format would be a valuable and relatively inexpensive management tool that will bring countless benefits to each NFP organisation, but also, as importantly, to the customers/clients that they serve and the overall public interest.

The portrayal of the organisation’s performance against a set of relevant and uniform measures aims to highlight the effectiveness capability of the organisation in a number of key areas, such as (a) the outcomes achieved in terms of the improvements in customer/client well-being, (b) an evaluation by customers/clients and carers of the social services provided and (c) adherence to governance practices and (d) the use of financial and human resources. The resultant information would be of considerable benefit to those customers/clients who are using the new Government customer directed care funding model, such as those involved in the NDIS. They are now required to make a decision as to which NFP social services organisation would be the most suitable provider for them to use. The ability of interested parties to easily access this assessment information would allow them to compare and contrast a number of NFP social services organisations, before they need to make a final decision about their provider.

Importantly, the widespread use of this new assessment tool would help address the key findings of the 2016 AICD study into the NFP sector, which highlighted the need for greater transparency, greater accountability for the funds provided to NFP organisations and better board governance practices, as well as greater focus on obtaining direct feedback from customers/clients and carers regarding the quality of services delivery (AICD Governance and Performance Study, 2016).
It is believed that this performance assessment tool could have applicability in other segments of the NFP sector, such as in education and research, health care excluding hospitals, covering the NDIS, culture and recreation, environment and philanthropic pursuits. NFP organisations exist in many areas of public interest and, as Government increasingly seeks to outsource the provision of social services, NFP organisations will need to prove both to the government and other funders, that their particular organisation has the ability to undertake the particular tasks and achieve the required public outcomes. If NFP organisations fail to do so, it is quite likely that Governments will step in and force disclosure through greater regulation, which is sure to involve many hours of compliance reporting which is costly and will not help to meet the social services needs.

A good example of Government intervention was in 2012 when the Commonwealth of Australia’s Department of Education introduced the national assessment programme literacy and numeracy test (NAPLAN) for all Australian schools. Based on the literacy and numeracy of school students aged three, five, seven and nine years using common nationwide tests, each school in Australia is rated for its student outcomes on an annual basis and the results for each school are posted on the website of the Commonwealth of Australia’s Department of Education, so that all parents, educators and the public can identify whether or not young Australians are meeting important educational outcomes (www.nap.edu.au). Whilst this is an important assessment tool, the public is not provided with any other important performance and compliance measures, that would reflect the other outcomes, governance or capacity matters.

In the case of the Commonwealth of Australia’s customer directed care funding model and the National Disability Insurance Scheme (NDIS), potential customers and their carers need to understand exactly what a particular provider is able to deliver and whether they have the financial resources and expertise to make a difference to whatever the situation is in their lives, which has required them to receive specialised assistance. This has placed potential customers/carers in the situation of needing unambiguous, honest information to help them make their choice of provider. It became apparent from the interviews with the executives of NFP organisations, who were anticipating providing their services to NDIS clients for example, that the cost of providing information in an acceptable and easily understood manner, would take up a large amount of their budget. Further, information, provided by stakeholders, indicated that the differences in how such information was being presented, was, in
itself, confusing and differed from organisation to organisation. This in turn makes the task of choosing a provider even more complicated and frustrating for potential customers and their carers. Importantly, providers to those persons covered by the NDIS, for example, are seeking a truthful and informative means of marketing their skills and attributes to the potential customers/clients and their carers. With smaller NFP organisations, the issue of cost with regard to marketing was a large problem as their limited financial backing obliged them to use part of their funding towards marketing rather than towards service delivery.

This researcher’s evidence-based assessment of an organisation’s effectiveness capability would enable providers to use it as a means of marketing themselves and facilitate the opportunity of demonstrating to potential customers/clients/carers, their key points of differentiation from other NFP organisations, and also be a transparent means of making these organisations more accountable to all stakeholders.

In today’s demanding environment, NFP organisations around the world are under increased pressure to show greater accountability and transparency over how the funds, that they receive from Government sources and donors, are being used and to demonstrate their overall effectiveness. There has been considerable academic research over the years to identify the best way for NFP organisations to measure and demonstrate their effectiveness, yet NFP organisations have failed to openly provide outcome measures relating to the social impact and public benefits, that they are supposed to provide, given the billions of dollars being spent in the NFP sector, primarily by Government and donors. The public trust in parts of this NFP sector has been declining for some time and the public is becoming even more sceptical as to whether the funds being provided, are resulting in beneficial outcomes for clients and customers (AICD Governance and Performance study, 2016).

One measurement approach, which is used in the USA to assist donors and the general public assess the contribution of a charity, has been developed by Charity Navigator, and it provides a star rating for each non-profit/charity organisation, based on two broad indicators of Financial Health and Accountability and Transparency, gleaned from data sent to the USA Inland Revenue Department. These indicators encompass such things as profitability, fundraising expense efficiency, board composition and conflicts of interest. This star rating for each organisation is shown on the Charity Navigator website (http//www.charitynavigator.org) free of charge for all the public to see. In England and Wales, the Charity Commission keeps a register of all charities and regulates them by receiving an annual return, consisting of financial
data, information about the charity’s activities and written advice from the trustees as to how the charity is providing a public benefit. (www.gov.uk/government/organisations/charity-commission).

In Australia, the Australian Charities and Not-for-profit Commission (ACNC) requires all charities to lodge financial data on an annual basis and regulates their activities by requesting information about the activities of the charity and the names of all directors. The ACNC is not yet however, empowered to regulate NFP organisations.

Based on the findings of this qualitative research study, there appears to be no concise and uniform method of portraying the organisational effectiveness capability of Australian NFP/charity organisations in a manner that can be viewed by potential customers/clients, future donors, Government and the public. From both accountability and transparency perspectives, these stakeholders are interested to learn how well these NFP social services organisations deliver their mission, improve the well-being of their customers/clients and utilise the funds provided to them by the Government and donors.

Following the detailed feedback from the 21 participants in this exploratory empirical qualitative study of the Australian NFP social services segment, this researcher reviewed the resultant measures of organisational effectiveness, as well as the in-depth qualitative comments provided by the respondents in order to develop a set of measures more relevant to the dimensions of outcomes accountability, governance and capacity. These revised measures are included in the Assessment of Organisational Effectiveness Capability, which is detailed in Figure 5.2. below. It is presented in a format that can be easily and quickly completed by the senior executives of NFP social services organisations and uploaded onto various digital platforms on a regular basis and consists of four forms.

The first addresses “Outcomes Accountability” and covers primarily whether the organisation is meeting its mission and the level of client/carer satisfaction with the services provided. The second covers “Governance” and deals with the way the board monitors the performance of the NFP. The third covers “Capacity” or how the NFP has managed its resources such as finances and staff over the assessment period. The last form shows the result of each of the three assessments and provides a summary of the overall effectiveness capability of the NFP organisation.
Adaption of the Effectiveness Measures into a Practical Assessment Format

The researcher believes that the organisational effectiveness measures evaluated and agreed to by the respondents in this study could be adapted into a more “customer/client friendly” format for widespread use within the NFP social services segment of the market. This would enable potential clients and their carers, as well as potential donors, to NFP organisations to understand just how effective these organisations are by referring to the organisational effectiveness capability assessment format. Additionally, in order for the format to be available to potential clients and donors, the management of each of the participating NFP organisations would need to prepare the content for inclusion in the assessment format.

The researcher then adapted the organisational effectiveness measures, which were evaluated by and agreed to by the participants in this study, into a more customer friendly question format for widespread use within the NFP social services segment of the market. The capability assessment questions were adapted so that the management of each of the participating NFP organisations could respond to the questions and prepare the content for inclusion in the assessment format. This content would consist of responses to ten performance management questions for each of the capability areas of outcomes accountability, governance and capacity. These performance measurement questions aligned with the measures agreed to in the research study. The intention would be for the management of the NFP organisations to answer each of the questions as it relates to their organisation, using both the results of the independent customer, carer, employee and volunteer surveys and internal performance measures. Once the results were tabulated, management would provide a star rating for each capability area. These star ratings would be combined to give a final star assessment of the overall organisational effectiveness of the NFP organisation and at the same time this would reveal those areas of strength and those areas needing improvement.

It is believed that this adapted star rating format would be easily understood by members of the public, who are exposed to and are familiar with similar star rating systems for say household appliances and hotel accommodation. The use of this four-page organisational effectiveness capability assessment would provide both management and external stakeholders with a simple to read means of determining an organisation’s effectiveness. It would also facilitate the comparison of one NFP
organisation to others, which would be beneficial to those potential customers/clients and their carers seeking a social services provider.

**Composition of Assessment Measures**

The composition of each of the measures or indicators is drawn from the detailed review of past academic literature on organisational effectiveness and the qualitative feedback from participants in this research study. These have been grouped under the three broad measurement dimensions of outcomes accountability, governance and capacity. Each of the measures within each dimension is given a numerical score which ranges from 0 to 4 depending on management’s assessment of the organisation’s performance. For instance, in the first form which deals with “outcomes accountability”, management will give a score regarding the percentage of client satisfaction which has been assessed by independent survey. A score of less than 50% is obviously not acceptable and would receive “0”. Similarly, a score of between 51-59% whilst slightly better, would only receive “1”, and between 60-69% would receive “2”. A score of between 70-85% would receive “3” and between 85-100% which is a very good result for the organisation, would receive “4”. Each form currently has ten assessment questions (although this would likely change with further research and discussion with interested parties) and therefore a possible total score of 40 would result for each dimension. At the end of each form, the total numeric score is converted to a star system where a score of between 0-10 being a poor result, receives one star, and between 11-20 being a fair result, would only receive two stars. A score of between 21-30 is better but still receives three stars indicating a “good” result, whilst a score between 31-40 being a very good result, would receive four stars.

When all three forms have been completed by management and the star rating for each dimension calculated, they would be transposed to the fourth form, which would bring all the results together. In this case, a total score of between 0-3 stars would be regarded as a poor result for the organisation overall, whilst a score of between 4-7 stars would be regarded as fair. A score between 8-10 stars would be seen as good and between 11-12 stars would be regarded as being very good. The fact that each dimension is dealt with separately gives stakeholders and customers/clients/carers the opportunity to consider each dimension and compare them to like organisations. It also gives the organisations themselves the opportunity to
compare themselves to their peers and to be able to direct their performance improvement efforts to areas of their organisation, that require immediate attention. It also gives the organisation the opportunity to use this star rating system in their marketing activities directed at potential customers/clients.

**Outcomes Accountability Assessment (part 1 of Figure 5.2)**

The first dimension of organisational effectiveness capability is outcomes accountability, which focuses on the desired outcomes for customers/clients, and the reputational standing of the organisation. Management would be required to gather data on how satisfied the customers/clients are with the quality of the services delivered by the organisation. This evaluation by both customers/clients and carers would preferably be done via independent third-party sources for the obvious reason that the perception of the organisation and that of the client/carer may not coincide and assessments made in house for clients/carers will not always bring out the true situation.

The NFP organisation would signify on the assessment form the latest survey results of the level of customer/client and carer satisfaction, as well as the likelihood of customers/clients and their carers recommending the particular NFP social services organisation to potential customers/clients and donors. This measurement of an organisation’s reputation is seen as an important condition for stakeholders to accept and endorse an organisation’s effectiveness. Whilst, capturing customer/client feedback, using independent research organisations, was regarded by some of the executives of the participating NFP social services organisations as being far too expensive, the costs of obtaining feedback from external sources has reduced dramatically over recent years, with the use of internet based market research sites, such as www.surveymonkey.com, with customers, carers, donors and other stakeholders being able to access this via various online apps/facilities. Once the questions in the assessment tool have been agreed to and then generalised with the majority of NFP social services organisations in each state in Australia, a market research company could be requested to create a uniform survey format that all customers, carers etc. would use to evaluate the quality of the services provided.

Details of the number of serious and other complaints from clients as well as from carers, as a percentage of the total number of customers/clients cared for over the nominated period are included in the outcomes accountability measures. Given the importance of a speedy and satisfactory resolution of complaints, this assessment also
ascertains how well the NFP social services organisation responds to and handles the complaints as rated by customers/clients and carers, preferably using an independent survey. Again, the most obvious reason for independent surveys is that often the result from in-house surveys does not reflect the true situation, particularly where client/carers fear retribution from staff members based on negative responses.

Management would also indicate whether or not the particular organisation does in fact, document the changes in the well-being of their customers/clients. This is one of the most important issues that organisations must deal with. Understanding clearly the issues faced by their customers/clients/carers and whether the services offered by the organisation are being effective, will eventually determine whether the organisation has the ability to make meaningful changes to their performance and remain a leading provider of social services.

The issue of whether the organisation has been able to achieve a positive change for customers will be important to all customers and their carers but will loom larger for NDIS customers, many of whom are accessing this area for the first time. Understanding what can be expected from the provider of social services will be a daunting task for these customers/clients. The provision of meaningful information via this assessment tool, would prove invaluable as it would provide the opportunity to compare and contrast providers and thus this would help reduce the stress to potential customers and their carers.

**Governance Assessment (part 2 of Figure 5.2)**

The second dimension is governance and includes measures that help determine whether the NFP social services organisation is following best practice board governance practices. Research has shown that governance practices need to cover such areas as mission adherence, performance review, responsiveness to stakeholders and a clear demonstration of the organisation’s accountability. Further, respondents from most of the participating stakeholder organisations expressed a strong view, based on their observations and dealings with these NFP organisations, that many directors lacked the necessary skills to be a director in today’s highly competitive and regulated environment. Their particular concerns were that directors did not have adequate financial management and risk assessment skills. It is therefore important to determine whether directors are adopting either the “Good Governance Principles and Guidance for NFP Organisations” from the AICD (AICD, April 2018)
and/or the ‘Governance for Good” – The ACNC’s “Guide for Charity Board Members” (ACNC, May 2018). Their adoption would go a long way to addressing this major concern of all the stakeholders, who participated in the research study.

A further measure requests management to advise whether the organisation complies with Government tender requirements, whether it prepares and uses an annual business plan and a strategic plan, and whether the organisation conforms to the many legal and regulatory requirements. Management then indicates whether the board of directors has a wide mix of skills and experience and whether the board directors participate in various governance committees. This lack of an appropriate mix of skills of board members was of great concern to participating stakeholders and they noted that many NFP boards appear to be made up of people with a passion for the mission of the NFP but possess limited governance skills. This obviously means that whilst many board members have good intentions, they do not understand the particular financial needs and management skills required to run a business and are therefore unable to support management and advise them in an appropriate manner.

The governance assessment form also requests management to acknowledge whether the mission, values and the vision of the NFP organisation are openly displayed on the organisation’s website. This was an issue of importance to the participating stakeholders.

**Capacity Assessment (part 3 of Figure 5.2)**

The final dimension, capacity, contains measures, which focus on how the financial and human resources of the organisation are being used to ensure the long term sustainability of the organisation.

The initial measures seek to understand the financial health of the organisation by requiring organisations to show their financial liquidity by showing how often their current assets exceeded their current liabilities. It requires management to show whether the cash flow statement is monitored regularly, as well as the profitability of the organisation in terms of its percentage of total revenue in the year. In addition, it shows the efficiency with which funds are being used by measuring the percentage of total expenses that are directed specifically at actually providing services to clients. It would also show the cost of fundraising as a percentage of the funds raised. It would demonstrate whether the organisation was involved in any quality improvement and assurance programs, such as ISO.
The next measure is directed at identifying the organisation’s level of responsiveness to and engagement with their staff and volunteers. It was a widely-held view of stakeholders participating in this research study, that gathering feedback from both permanent employees and volunteers was a valuable way to obtain insights and perceptions about how the organisation is meeting its mission and whether it is adequately delivering benefits to customers/clients. This engagement was seen as a vital component in not only maintaining morale and enthusiasm within the organisation, but also a way of gaining innovative ideas for performance improvement. It is interesting to note that executives of the participating NFP organisations made little reference to staff or volunteer engagement during the interviews and this fact in itself leads to the importance of conducting independent third-party surveys.

One of the primary issues identified by the respondents from the NFP organisations was their concern for the long-term financial sustainability of NFP organisations. They reported that their financial resources were under considerable strain and identified concerns over the duplication of activities of similar organisations, particularly in the administrative and back office areas which could be successfully shared or amalgamated. A very small number of organisations, which had conducted a thorough appraisal of all non-client facing activities, had started using shared services for such processes as IT, administration, payroll and transport and had achieved considerable savings. This activity would be particularly relevant for organisations, that have sister organisations in other locations.

**Overall Organisational Effectiveness Capability Assessment (part 4 of Figure 5.2)**

When all three assessments have been made and the star rating applied to each dimension, the star ratings would be tabulated so that an overall picture can be obtained regarding the organisational effectiveness capability of the NFP organisation. This will indicate whether the organisation is achieving its potential and would assist in identifying where performance improvements are needed.

The star rating for each dimension is added to the above form so that an overall star rating can be provided. Organisations with a score between 0-3 stars would be regarded as having a poor organisational effectiveness capability, whilst those with a score of between 11-12 stars would be regarded as having a very good organisational effectiveness capability.
Figure 5.2  (part 1)

ASSESSMENT OF ORGANISATIONAL EFFECTIVENESS CAPABILITY
from _____________ to ________________

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

<table>
<thead>
<tr>
<th>&lt;50% (0)</th>
<th>51-59% (1)</th>
<th>60-69% (2)</th>
<th>70-84% (3)</th>
<th>85-100% (4)</th>
</tr>
</thead>
</table>

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

<table>
<thead>
<tr>
<th>&lt;50% (0)</th>
<th>51-59% (1)</th>
<th>60-69% (2)</th>
<th>70-84% (3)</th>
<th>85-100% (4)</th>
</tr>
</thead>
</table>

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

<table>
<thead>
<tr>
<th>0</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not recommended (0)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>(4) highly recommended</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>0</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not recommended (0)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>(4) highly recommended</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>No (0)</th>
<th>In part (2)</th>
<th>Yes (4)</th>
</tr>
</thead>
</table>

6. Assessment of changes in client’s outcomes/ well being over time done by independent assessor?

<table>
<thead>
<tr>
<th>No (0)</th>
<th>In part (2)</th>
<th>Yes (4)</th>
</tr>
</thead>
</table>

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

<table>
<thead>
<tr>
<th>&gt;40% (0)</th>
<th>39-20% (1)</th>
<th>19-11% (2)</th>
<th>10-6% (3)</th>
<th>&lt; 5% (4)</th>
</tr>
</thead>
</table>

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

<table>
<thead>
<tr>
<th>&gt;40% (0)</th>
<th>39-20% (1)</th>
<th>19-11% (2)</th>
<th>10-6% (3)</th>
<th>&lt; 5% (4)</th>
</tr>
</thead>
</table>

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

<table>
<thead>
<tr>
<th>&lt;50% (0)</th>
<th>51-59% (1)</th>
<th>60-69% (2)</th>
<th>70-84% (3)</th>
<th>85-100% (4)</th>
</tr>
</thead>
</table>

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

<table>
<thead>
<tr>
<th>Not assessed</th>
<th>Limited reporting</th>
<th>Moderately reported</th>
<th>Similar to clients/carers</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

RESULT

<table>
<thead>
<tr>
<th>0-10 = *</th>
<th>11-20 = **</th>
<th>21-30 = ***</th>
<th>31-40 = ****</th>
</tr>
</thead>
<tbody>
<tr>
<td>poor</td>
<td>fair</td>
<td>Good</td>
<td>Very Good</td>
</tr>
</tbody>
</table>
# 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  
   - Risk management  
   - Workplace health and safety  
   - Community engagement  
   - Total
   - No (0)  
   - Yes (4)  

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

<table>
<thead>
<tr>
<th>Score Range</th>
<th>Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-10</td>
<td>Poor</td>
</tr>
<tr>
<td>11-20</td>
<td>Fair</td>
</tr>
<tr>
<td>21-30</td>
<td>Good</td>
</tr>
<tr>
<td>31-40</td>
<td>Very Good</td>
</tr>
</tbody>
</table>

---

* Over the last 12 months, how often did current assets exceed current liabilities, based on the calculation at the end of each month?
  - greater than 75%  
  - between 50-74%  
  - 25-49%  
  - less than
**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?

<table>
<thead>
<tr>
<th>Percentage Range</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;25% of time</td>
<td>(1)</td>
</tr>
<tr>
<td>26-50%</td>
<td>(2)</td>
</tr>
<tr>
<td>51-75%</td>
<td>(3)</td>
</tr>
<tr>
<td>&gt;76%</td>
<td>(4)</td>
</tr>
</tbody>
</table>

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?

<table>
<thead>
<tr>
<th>Percentage Range</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;50%</td>
<td>(0)</td>
</tr>
<tr>
<td>51-59%</td>
<td>(1)</td>
</tr>
<tr>
<td>60-69%</td>
<td>(2)</td>
</tr>
<tr>
<td>70-79%</td>
<td>(3)</td>
</tr>
<tr>
<td>80-89%</td>
<td>(4)</td>
</tr>
<tr>
<td>&gt;90%</td>
<td>(4)</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Percentage Range</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;40%</td>
<td>(0)</td>
</tr>
<tr>
<td>40-31%</td>
<td>(1)</td>
</tr>
<tr>
<td>30-21%</td>
<td>(2)</td>
</tr>
<tr>
<td>20-11%</td>
<td>(3)</td>
</tr>
<tr>
<td>&lt;10%</td>
<td>(4)</td>
</tr>
</tbody>
</table>

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?

<table>
<thead>
<tr>
<th>Percentage Range</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;50%</td>
<td>(0)</td>
</tr>
<tr>
<td>51-59%</td>
<td>(1)</td>
</tr>
<tr>
<td>60-69%</td>
<td>(2)</td>
</tr>
<tr>
<td>70-84%</td>
<td>(3)</td>
</tr>
<tr>
<td>85-100%</td>
<td>(4)</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Percentage Range</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;50%</td>
<td>(0)</td>
</tr>
<tr>
<td>51-59%</td>
<td>(1)</td>
</tr>
<tr>
<td>60-69%</td>
<td>(2)</td>
</tr>
<tr>
<td>70-84%</td>
<td>(3)</td>
</tr>
<tr>
<td>85-100%</td>
<td>(4)</td>
</tr>
</tbody>
</table>

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**

<table>
<thead>
<tr>
<th>Score Range</th>
<th>Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-10</td>
<td>Poor</td>
</tr>
<tr>
<td>11-20</td>
<td>Fair</td>
</tr>
<tr>
<td>21-30</td>
<td>Good</td>
</tr>
<tr>
<td>31-40</td>
<td>Very Good</td>
</tr>
</tbody>
</table>

****
Implementation of the Assessment Tool

The implementation of this new performance measurement tool will require a number of planned steps. Initially, there will need to be agreement on the composition of the measures included in this assessment questionnaire and the appropriateness of the star rating format. Executives from a larger group of NFP
social services organisations and the associated stakeholders in other parts of Australia will need to have the opportunity to assess the appropriateness of all the measures.

The definition of each of the measures and indicators and how these are to be captured, calculated and reported on, will require the agreement of the majority of NFP social services organisations and will need to be clear and unambiguous. Next, there will need to be agreement as to the independent third-party organisation to be used to handle the preparation, electronic capture and reporting of the data from the regular satisfaction surveys of customers, carers, staff and volunteers, the measures showing how likely customers and carers are to recommend the NFP social services organisation to potential customers and also the organisation’s responsiveness to complaints. The NFP social services organisations will need to agree on when the specific time periods for the assessments will take place throughout the year in order to gain consistency and comparability. For example, surveys could be done between say March and April and September and October in year 1 rather than whenever an organisation randomly decides to do the assessment. Once there is broad consensus with the new Organisational Effectiveness Capability Assessment Tool, there will need to be agreement by the vast majority of NFP social services organisations in each state of Australia as to the best time to introduce this new assessment tool.

Given the positive interest and acknowledgement of the transparency benefits of this assessment tool expressed by the ACNC representative who participated in this study, it would be advantageous to engage with the ACNC prior to the introduction of this assessment tool. Indeed, because they are the independent Government body, the ACNC could suggest the time frames for example. Whilst Tweedie (2016) noted from his study of NFP organisations, that many of these NFP organisations may not have the resources, both human and financial, to prepare the necessary data within the set time frames, it will be incumbent on all NFP social services organisations to work together and utilise the many and varied electronic and technological means to keep costs to a minimum, given that the overall benefits to each NFP organisation and to potential customers/clients, donors, Government and the public, will be substantial.

A significant sign of the authenticity of the content in this assessment format would be if NFP social services organisations were to advise the ACNC, Government bodies, and donors that all the participating NFP social services organisations will instruct their independent auditors to conduct an annual spot check of the veracity of the data. The auditor’s comments could be added as a footnote so as to assure all
stakeholders that the information contained in the assessment is truthful and accurate. It would also be appropriate for the auditor to make suitable notations if the data in a certain section is not yet available. The involvement of independent auditors was an important factor raised by a number of the participating stakeholders in this research study. These stakeholder representatives commented that “this set of uniform organisational effectiveness measures would be very favourably viewed, if the accuracy of the measures was validated by the auditor of each NFP social services organisation conducting an annual audit”. The senior representative of the ACNC added that “while the ACNC has no authority over NFP organisations, the ACNC would be prepared to encourage organisations to upload the audited set of organisational effectiveness capability measures onto the ACNC website, as this would promote far more transparency in this sector”. Given that NFP organisations are not strictly accountable to any shareholders, as is the case in the for-profit sector or to taxpayers as in the case of the public sector, this new assessment of organisational effectiveness capability for NFP social services organisations would enable all stakeholders of these latter organisations, such as donors and Government bodies, to be able to evaluate the social benefits being provided by these organisations in a transparent and timely manner.

5.3.2. Policy Implications

The findings of this research study have identified a number of important policy implications for Government to consider in order to improve the effectiveness and efficiency of the large amount of funds being directed towards the provision of social services for members of the public.

The successful implementation of the organisational effectiveness capability assessment tool will rest on its ease of use and minimal costs involved in regularly populating the assessment forms and uploading them to the relevant websites. This will be particularly important for the small to medium sized NFP social services organisations.

Initially, it will be important for the assessment forms and the included measures to be standardised to enable consistency. This will occur once the organisational effectiveness capability assessment measures have been endorsed by a much larger sample of NFP social services organisations in all the states of Australia. Given the broad endorsement of the organisational effectiveness capability assessment format by ACNC during the interview phase of this research study, it may be possible
for the ACNC to assist in promulgating the format’s adoption to the wider NFP social services segment.

Whilst most of the measures included in the outcomes accountability, governance and capability sections can be easily provided by the management of the NFP organisations based on their own internal information, those measures relating to the levels of client, carer, employee and volunteer satisfaction and client/carer recommendation to others will require a co-ordinated approach by all NFP social services participants as the data will need to be sourced from an independent research company. An Australia wide web based market research organisation, such as Survey Monkey, could be engaged by all the NFP social services organisations to manage the collection of the data from clients, carers, employees and volunteers on an ongoing basis.

This could be facilitated by a common app that could be downloaded onto the mobile phones of clients, carers, employees and volunteers. These respondents would be encouraged by each of the NFP social services organisations to load the app, so that they can provide their assessment of the organisation. The market research organisation would then consolidate the responses for each organisation and on a six-monthly basis, provide the results of the surveys electronically back to each organisation. The management would then be in a position to upload this data onto the relevant capability assessment form.

The involvement of a large number of NFP social services organisations across Australia, using a uniform assessment format uploaded to their website and populated every six months should help spread the costs. The principal cost, apart from management time, will be the market research directed at customers, carers, employees and volunteers. A large participation of organisations should over time ensure that these costs are held at an acceptable level via the economies of scale.

There will be some cost for the participating NFP social services organisations to establish the various elements of the implementation, however the benefits for management will more than offset the cost due to the fact that not only will a very positive star rating convey to potential clients the high quality performance attributes of the NFP organisation, but it will also provide management with an ongoing benchmark of those areas requiring improvement in client service delivery.

The widespread introduction of a transparent governance and outcome measurement assessment by organisations within the NFP social services segment will provide a significant point of difference to other public and for-profit providers. For
the first time in Australia, all external stakeholders, including potential clients and donors, will be able to access, via the organisation’s website, a concise overview of the organisational effectiveness of NFP social services organisations.

In addition, this initiative will go a long way to building further trust in NFP organisations and charities. In the AICD’s 2016 survey of the NFP sector, only 39% of responding organisations noted that they captured some outcome measures that measured progress towards the mission as one way of determining organisational effectiveness (AICD, 2016). NFP organisations have been reluctant to show how effective they are, even though donors in particular, are looking for evidence of how the organisation is providing social benefit to its clients. Given that the vast majority of NFP organisations are relatively small in terms of the revenue generated, it is believed that a transparent means of demonstrating their effectiveness, using the organisational effectiveness capability assessment via their website would give them the opportunity to convey how well they were meeting this mission. This new transparency of how they are delivering on their mission would provide participating NFP organisations with a competitive edge over those in public and for-profit organisations competing in the social services segment. It would assist potential clients as they search for those providers that they would deem appropriate to provide services to them in a cost effective manner

NFP Organisational Effectiveness Capability Assessment

All stakeholder respondents strongly endorsed the use of the initially proposed set of uniform organisational effectiveness capability measures within NFP social services organisations in Australia. The senior executive from the Australian Charities and Not-for-profits Commission (ACNC) stated, during the interview phase of this research study, that “while it is not really our area, you know, to go into areas of efficiency and effectiveness, but in terms of promoting this sort of transparency, this set of measures would fall within our objective of having sustainable NFP organisations”. Given the positive response to this proposed set of uniform organisational effectiveness capability measures by all the participants in this empirical study, the ACNC could encourage all NFP social services organisations to start to use this set of organisational effectiveness capability measures as a means of providing transparency of their activities to the potential customers/clients and donors of NFP social services organisations.
It would be advantageous if the ACNC could take the lead by giving advice to customers/clients about how this new way of providing an assessment of the organisational effectiveness capability of NFP social services organisations, is of benefit to them. The ACNC could explain in some detail the definition and composition of the measures and describe how potential customers can make their own assessment of an organisation’s effectiveness capability by reviewing the measures shown by the management of each NFP social services organisation. Potential customers could be directed to the various digital platforms of the NFP social services organisations, such as their website, to view the organisational effectiveness capability assessment for each organisation or indeed, the ACNC may take on the additional task of uploading this data onto their website or by providing an electronic link.

In addition, this assessment form could be considered by the Commonwealth of Australia’s Department of Social Services (DSS) as an adjunct to their new reporting regime, namely the Standard Client/Community’s Outcome Scheme (SCORE) web based portal. This would provide the Department with an even broader set of measures to assess the operating performance of NFP social services and also help determine whether the NFP organisation that is tendering for a particular type of project, is capable of providing the services effectively and efficiently and in a sustainable manner.

**Coordination, Cooperation and Inclusion**

One of the key reasons for this research study was to identify ways and means of improving the quality of service delivery to those people with special needs in our society. Whilst the adoption and widespread use of the proposed assessment of organisational effectiveness capability of NFP social services organisations will help improve accountability, transparency and in time, the performance of these organisations, a disturbing finding of this research study is the lack of co-operation and co-ordination between the various levels of Commonwealth, State and Territory Government Departments of Social Services. According to the senior executives of the participating NFP social services organisations, they believe that the large amount of Government funds being spent in the social services area is adequate to address the social services needs in our society, but the funds are not being spent efficiently or effectively. This is due primarily to the considerable duplication of activities by each of the relevant Government Departments at the Commonwealth and State levels and the lack of communication between these Departments and the larger NFP social
services organisations. It was noted, by most respondents, that the conflicts, that often occur between the different levels of Government, severely limit the way the social needs of society are being addressed.

In order to improve the level of co-operation and inclusion of those executives operating in the NFP social services segment within the ACT and the surrounding NSW, the CEOs could be invited by all levels of Government to participate in detailed discussions on the priority areas of need in our society, the preferred strategies for service delivery across Australia and how the human and capital resources of the NFP social services segment could be best utilised by Government to help reduce the duplication of effort and costs, and so maximise the benefits for customers/clients. These discussions should be held every six months and should include the major advocacy groups and the major NFP social services organisations. These discussions should identify broad measurable goals and develop targeted strategies and tactics, necessary to address the social services needs of the society. One of these discussions should be scheduled to take place prior to the yearly budget preparations by Government. In this way, all the experience and expertise of those involved in the social services segment could be harnessed to address the growing need for more and more social services in a strategic and inclusive manner.

5.4. LIMITATIONS

Given that this research study was exploratory in nature, it does suffer from some limitations, primarily associated with sample size and location of the survey. The study focuses on only one part of the NFP sector, namely the social services segment. This was done because the researcher was a director of a large NFP social services organisation in Canberra and noticed first-hand the poor performance measurement practices in that organisation and believed these poor practices were prevalent in other NFP social services organisations. The researcher wanted to confirm this and develop a performance management tool that would assist these organisations improve their overall performance and, as a result improve the health and wellbeing of their clients.

A limitation of the study was the small number of participants, being 21 persons in total but also that the NFP social services organisations in the sample tended to be the medium to large organisations rather than the smaller ones, which do tend to make up the majority of organisations numerically but not in revenue terms. Whilst the researcher did invite a large number of NFP social services organisations operating in
the ACT and surrounding region, only nine organisations agreed to participate. These organisations however, make up an estimated 75% of the NFP social services segment in revenue terms in the ACT and surrounding regions and therefore are representative of the segment as they are engaged in a wide variety of social services activities. In addition, the detailed perspectives and feedback from the group of experienced CEOs was invaluable in gaining an in-depth insight into the present performance measurement practices. This group of CEOs and the one director fully endorsed the concept of the proposed set of organisational effectiveness measures as a means of providing real outcome measurement for NFP social services organisations.

The sample size of ten external stakeholders associated with the NFP social services segment, was relatively small, however their input was regarded as a significant benefit rather than a limitation. The reason for this is that this study was conducted in Canberra, the national capital of Australia, where most stakeholder organisations have their head office and senior experienced executives. Therefore, the participation of executives from such organisations as, the Commonwealth Department of Social Services, National Disability Services, Carers Association and the Council of Social Services proved to be invaluable. In addition, the researcher was able to interview the Deputy Commissioner of the ACNC in Melbourne and the CEO of the Australian Association of Children’s Welfare Agencies in Sydney by telephone.

It is contended that there was no gender bias in this study with the female to male ratio being 50:50 in the case of the ten participants from NFP social services organisations and 63:37 in the case of the eleven participants from the stakeholder organisations. Overall the gender ratio is 57:43.

A further limitation was that the majority of the NFP social services organisations in the sample represented various religious groups, such as Baptist Care, Catholic Care and Anglicare. These organisations do maintain religious values and these are consistent with the mission of each of these organisations. It is also important to understand that these religious based organisations do, in fact, constitute the dominant share of the NFP social services segment and therefore this sample study was a good representation of this segment in the ACT and surrounding regions.

Another limitation was the fact that the study was conducted in Canberra, a relatively small capital city in Australia. This is because the researcher lived in Canberra and it would have been cost prohibitive to travel to Sydney, Melbourne and Brisbane. It is acknowledged that, whilst the participating NFP organisations have sister organisations in other major capital cities, there are a larger number of other NFP
social services organisations operating in these large capital cities and as such the sample size could have been increased. In the future, it would be important to involve a larger number of NFP social services organisations in these large capital cities to gain feedback on the composition of the proposed organisational effectiveness capability assessment terms and how this performance management tool could be implemented across the NFP social services segment.

The research participants were more than willing to participate in and co-operate with the researcher and the truthfulness of the research findings were, in fact, influenced by the trustworthiness of their senior executives. Whilst this exploratory study had 21 participants, the actual views, experiences and expressions of all the respondents were captured and detailed in the findings section of this thesis and this added to its credibility. These detailed responses reflected their extensive knowledge of the social services segment and added to the usability and significance of their views and in so doing enhanced the objectivity of the study.

The research method used ensured that the information collected did truly reflect the responses of the two separate but interrelated groups of senior executives working the field of social services. Furthermore, the willingness and enthusiasm of all the participants to be involved in and contribute to this type of study added to the researcher’s confidence in the honesty and truthfulness of the contribution of each respondent. This researcher conducted all the interviews, either face to face or by telephone, and a tape recording and transcript of all the interviews have been placed on a secure file. This adds to the authenticity and reliability of the research data obtained.

Whilst data uniformity is often an issue with qualitative research, particularly when the approach is unstructured (Silverman, 2006) this research used two almost identical semi-structured questionnaires to guide the discussions with each of the groups of respondents. The limited number of participants does not enable the findings to be transferable, however the existence of a clear audit trail and detailed questionnaires will enable this study to be repeated or adjusted to different empirical contexts within the social services segment.
5. 5. Contribution to Future Management Practice

This research has revealed that there continues to be a lack of publicly available information about the performance of social services organisations receiving taxpayer and donor funding and that providers of these services do not appear to be have easily accessible and understandable mechanisms by which to account for their activities nor engage in sound governance practices. This situation was first highlighted by the Australian Government Productivity Commission in 2010 in their review of the accountability of NFP organisations and in the subsequent review of governance practices in the sector by the Australian Taxation Office in 2011. This lack of public accountability is to the detriment of all those seeking and those funding these services. A more recent example of the deficiency in publicly available performance measurement information is the present Australian Commonwealth Government’s Royal Commission into aged care quality and safety, which has found that it was not possible to compare the offerings of the various organisations due to a paucity of information on their websites.

It is contended that the above Organisational Effectiveness Capability Assessment, focused on outcomes accountability, governance and capacity, will provide those organisations with the means to convey informative performance and customer feedback data to clients, customers, donors and government agencies. The lack of information as well as the lack of transparency of comparative quality information for consumers is also a hindrance to those organisations seeking to improve their performance. This Organisational Effectiveness Capability Assessment could have applicability in a number of sectors, such as aged care, child care, educational facilities, health care and hospitals and supported care for those with mental illnesses and drug dependencies.

In Australia, public concerns with the substandard service delivery in the aged care industry has caused the Commonwealth Government to institute a Royal Commission into the quality and safety provided by the aged care service providers. The Interim Report released on 31 Oct 2019 was damming in its assessment of the quality, transparency and safety of the services provided by many service providers. This report (Royal Commission, Interim Report: Neglect, 2019) described many problems associated with the poor quality and safety of the
services provided to aged care clients, particularly those in residential aged care, siting ineffective regulatory oversight, a lack of public information on the performance of providers, poor complaints mechanisms, a lack of co-ordination between various levels of government and the absence of any broad performance measurement assessment of providers, that can be given to potential clients and their families and carers as they search for information that they can use in making a decision on a suitable provider of residential aged care services. Unfortunately, these findings reflect the findings of the number of previous government reviews into this sector.

In 2017/18, the Australian Government funded the residential aged care segment to the tune of $12.2 billion, providing care for 241,723 people who were placed in 2725 residential aged care facilities, which were managed/owned by 886 providers, with 56% being NFP organisations. The Australian Department of Health’s Aged Care Quality and Safety Commission, which regulates the sector, presently assess the providers against a single set of Aged Care Quality Standards and, following visits by the Commission, are each assessed as having “met” or “not met” these standards. According to the Commission’s Report in 2018/19, only 9 providers did not meet the standards and received sanctions. Indeed, the secretary of the Australian Department of Heath reported to the Royal Commission that based on this evidence, the serious instances of substandard care did not appear to be widespread. The Royal Commission responded “we beg to differ based on the many submissions received and the group meetings held recently around Australia in the last 3 years” (Royal Commission, Interim Report: Neglect, 2019, page 66).

The Interim Report stated in addition that a search by staff of the Royal Commission from May to July 2019 of the websites of all providers of aged care services, found that “it is not possible to compare the performance of providers against even the most routine satisfaction measures” (Royal Commission, Interim Report: Neglect, 2019, page 131). This lack of adequate and informative performance measures was also identified by the Australian Government Productivity Commission during their inquiry into ‘Caring for Older Australians’ back in 2011 (Australian Government Productivity Inquiry Report, 2011).

In 2017, a review of the National Aged Care Regulatory Processes found that there was a complete absence of reliable comparable information about the quality of service delivery in the Australian residential aged care segment nor any
public information addressing the accountability of the service providers, given that taxpayers are contributing over 80% of funds expended by the providers in this segment. This 2017 Carnell-Paterson review recommended the provision of detailed public information that includes some form of star rating against the core standards as well as greater emphasis on the measures of the quality of life of the residents (Carnell-Paterson Review, 2017, page vii). This review also noted that public websites in the United Kingdom and the United States did provide some performance measurement information on things such as staffing levels, quality and health inspections of the government subsidised residential aged care facilities.

The NSW State Government has recently introduced a star rating for child care so that parents can assess how the facility is rated against the government guidelines, however this system does not include information as to how parents view the level and type of care, the frequency and severity of complaints or the general wellbeing of the children. Likewise, with other educational facilities, it is often difficult for parents to make informed assessments and comparisons between them, particularly if the parents require special assistance for their child.

Further, the recent Royal Commission into the banking sector found that a lack of clarity and openness in the dealings of banks with customers and the difficulty of having the public’s concerns addressed, has led to a lack of trust in institutions as a whole regardless of whether or not they were involved in practices that were considered deficient. This lack of trust in the clarity, transparency and comprehensibility of the information provided by institutions will be reflected in the attitudes both funders and possible consumers will have in the organisations offering services.

This lack of transparency in outcomes accountability and governance information for consumers in Australia shows that many sectors would benefit from the provision of easily understandable, uniform and reportable set of key performance measures being made readily and transparently available to consumers to facilitate choice of providers, and for the providers to use on an ongoing basis to assist them in improving the provision of quality services. The need for publicly available uniform and timely performance indicators would appear to be a real need and this research project could be expanded into other areas to provide this.
Future research with the Organisational Effectiveness Capability Assessment could be expanded both here and overseas to cover social services areas that rely heavily on donor/taxpayer/government funding. In Australia, research with the Australian Department of Health, the Australian Charities and Not-for-Profit and providers could focus on incorporating the present quality standards into the governance section of the Organisational Effectiveness Capability Assessment and the results could be added to appropriate websites. In the case of aged care, it could be added to the present My Aged Care website to provide easy access to public information on performance outcomes, governance and capacity and would thus help address one of the key concerns of the current Royal Commission into Aged Care Quality and Safety.

**UK, Europe, USA**

Research into performance measures used in overseas countries such as the UK, the USA and in Europe, revealed that there were insufficiencies in the quality and quantity of publicly available information about publicly funded social services organisations.

A qualitative and quantitative study with 105 large non-profit charities in the UK by Boateng, Akamavi and Ndoro (2016) revealed that most of these organisations were recording a number of measures, such as labour turnover, quality of services and compliance with government standards, however this data does not cover customer satisfaction, governance or financial measures. Research by Herman and Renz (2004) and Prentice (2016) with non-profit health sector organisations in the USA showed that there was little consistency in the performance measures, however financial measures were maintained on a regular basis. The public information on charities and non-profit organisations in the USA is provided by independent bodies such as Charity Navigator, however this data is primarily financial as it is based on data supplied to the Inland Revenue Department by the providers and contains no governance, quality, safety or customer feedback information.

Studies by both Moxham (2011) and Coule (2015) with UK non-profit organisations showed that external stakeholders sought information about the activities of non-profit organisations. This was confirmed by research by Willems, Jegers & Faulk (2016) in Belgium, which showed that organisations need to convey measures on their activities to stakeholders if they seek to build
stakeholder satisfaction in the organisations. Furthermore, an Irish study by McKernan, Kennedy & Alfred (2016) with emergency relief organisations showed that providing donors with regular updates on the results of the relief organisations, lead to increased donor funding.

Therefore, there appears to be a need and opportunity for future research to be conducted into overseas social services sectors, using the Organisational Effectiveness Capability Assessment focused on measures around outcomes accountability, governance and capacity. This Assessment would provide a uniform measurement format that would give all stakeholders a concise understanding of the benefits provided by the organisation and a means of comparing organisations with their peers and with best practice. In this way, the Organisational Effectiveness Capability Assessment would provide a real contribution to management practice both in Australia and other overseas countries.

5.6. FUTURE RESEARCH

This research study was an exploratory one, aimed at understanding the issues facing the NFP social services segment in the ACT and the surrounding region. The study benefitted from the fact that virtually all of the participants, who held senior positions in both the medium to large NFP social services organisations and the Commonwealth of Australia and Australian Capital Territory Departments of Social Services, were in fact working permanently in the ACT. However, in order to generalise the results, this study needs to be extended to cover a much larger number of NFP social services organisations operating in other capital cities and major regional areas of Australia, as well as to liaise with other advocacy groups and relevant Government Departments in other states of Australia, to obtain their views on the proposed set of uniform organisational effectiveness capability measures.

Going forward, once there is broad consensus about this set of uniform organisational effectiveness capability measures and the definition for each of these measures, it would be appropriate for NFP social services organisations to communicate with each other as to how best this set of uniform organisational effectiveness capability measures could be introduced simultaneously across Australia or in the initial stages be trialled in one of the larger states of Australia, namely NSW or Victoria.
Given the positive response by the ACNC to this assessment of organisational effectiveness capability measures, senior executives of the major NFP social services organisations could liaise with the ACNC, so that a co-ordinated commencement of this new assessment format could be agreed upon. Indeed, whilst the ACNC does not officially regulate the NFP sector, their involvement and endorsement of this new assessment tool would provide the public and the Government with confidence that an independent body, such as the ACNC, is encouraging NFP social services organisations to engage in this new assessment process. The ACNC could work with the major NFP social services organisations to agree on a format of uniform measures and the star rating process. The ACNC could publicly endorse the introduction of this new assessment format via its website and in public statements which would focus on the increased transparency and accountability that this new uniform assessment format will bring to the NFP social services segment.

This new organisational effectiveness capability assessment tool could then start appearing on the digital platforms of each of the participating NFP social services organisations across Australia and also have a link via the website of the ACNC.


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APPENDICES
Appendix 1
1. Interview guide and questionnaire for the CEOs of the NFP social services organisations

Interview guide—Management and board

INTRODUCTION
This research project is part of my studies towards a Doctor of Business Administration at the Charles Sturt University. It aims to explore what organisational effectiveness measures are currently being used by Not-for-profit social/ community services organisations operating in Canberra, the ACT and the surrounding region and to identify if these are linked to the mission and objectives of these organisations. It is also planned to obtain the views of clients and stakeholders as to the type of information that they would find helpful in order to assess a not-for-profit organisation’s effectiveness. The longer term aim is to develop a new performance improvement tool, that can be used to assist not-for-profit organisations improve their overall performance and contribution to society.

The academic literature on organisational effectiveness measurement of Not-for-profit organisations in Australia is minimal. Presently, Not-for-profit social services organisations receive over 60% of their funds from Commonwealth, State and territory budgets. The findings of the recent Australian Government Productivity Commission’s Report on the Not-for-profit sector in 2010 identified that Not-for-profit organisations needed to significantly improve their level of organisational effectiveness and board governance practices. It would appear that all Governments and taxpayers are seeking much better use of their funds from these organisations and for these organisations to be more accountable to their stakeholders for the service delivery outcomes.

It is proposed to interview some 20 management and board members of Not-for-profit social services organisations to gain their views on what organisational effectiveness measures are currently being used. In addition, it is proposed to interview some 20 clients/ carers of these organisations in order to obtain their views on what factors they regard as important in assessing an organisation’s effectiveness. It is also planned to interview a small number of key stakeholders including the senior executives of the Community Council of Australia, the Australian Charities and Not-for-profit Commission, ACT Carers Association, People with a Disability Australia and the Commonwealth of Australia Dept. of Social Services to gain their views on what information/measures they would find helpful to assess how well the funds are being used by these organisations and their overall contribution to clients and society.

I would appreciate the opportunity of interviewing you at a mutually convenient time to discuss the above issues. Your name will not be referred to in any part of the report, but we would like to list the organisation’s name as a participant in the study. It is proposed that a brief summary of my research findings will be sent to all participating organisations in due course.

Do you have any questions before we begin?
BACKGROUND INFORMATION

Name …………………………………… Position ………………………………..

Organisation name………………………………………………………………...

Total revenue of organisation in 2013/14--$

Total revenue of the social services part of the organisation in 2013/14 --$

No of Staff [FTE]-- No of Active Volunteers [FTE]

Estimated % of funding to the social and community services part from Govt % ,

Donors %, others %,

A] OPENING QUESTIONS

Q. 101] Could you briefly describe what types of social services your organisation provides? [Probe; child, youth and family care, foster care, disability services, homelessness etc.]

Q. 102] In which service areas is there a growing demand and what are some of the underlying reasons?

Q. 103] What do you believe are the three most important issues facing Not-for-profit social services organisations in Canberra, the ACT and the eastern NSW region, as you try to improve overall effectiveness and efficiency? [Probe; lack of funding, lack of co-ordination of different layers of Govt., quality of staffing]

B] KEY QUESTIONS ON EFFECTIVENESS

Q. 104] What are the primary measures that your organisation uses to assess the overall effectiveness and efficiency of the social services part of your organisation? [Probe: service delivery outcomes, improvement in wellbeing, client satisfaction, financial statements, no. of complaints]

Q. 105] If so, how are these measures linked to the mission and key objectives of the organisation? [Probe: Are measurable objectives focused mainly on outcomes/impacts or on outputs]

Q. 106] How do you determine the success or failure of each of the programs that are provided? [before and after measures, meeting Govt. accreditation standards]

Q. 107] Is there an annual financial budget for each of the social services parts of the organisation or is there only one organisational budget? Are the actual financial results compared with the budget on a regular basis both for the organisation in total and for the social services business?
C] KEY QUESTIONS ON BOARD GOVERNANCE PRACTICES

Q. 108] Does the organisation have a statement of its mission, vision and objectives and how are these communicated to all employees, volunteers, clients and stakeholders?

Q. 109] What would you regard as the main governance practices followed by the board? [Probe: the best practice governance principles outlined by ASIC, performance, conformance, including risk and financial management, board charter including its role, committees, conduct and responsibilities, annual business and strategic plans updated regularly]

Q.110] What is the content focus of the website, annual reports and disclosure statements provided to owners, stakeholders and prospective clients? [Probe; achievements placed on the website, source and use of funds, output and / or outcome data, advocacy issues, financial data]

Q111] In what areas do you feel the board could be more proactive with regard to its governance responsibilities? [risk management, finances, CEO, planning]

D] OTHER KEY QUESTIONS

Q. 112] Does the organisation benchmark its performance against industry benchmarks on a regular basis? What benchmark indicators are used? [Probe; client to staff ratios, back office expenses]
If not, are there any specific reasons why you do not benchmark performance against like organisations? [Probe; limited funds, not seen as beneficial, not aware of availability of data]

E] CLOSING QUESTIONS

Q. 114] Finally, what are the three key strategies/ initiatives that you would like to have implemented to improve the effectiveness and efficiency of your social services business?

Q.115] Given that potential clients as well as government depts. are starting to request information about the effectiveness of NFP organisations and the accountability for the funds provided, what types of measures do you feel could be developed to assist in reporting the effectiveness of the organisation? [Probe; could be part of social impact bonds measurement criteria]

Q. 116] With the emerging trend of client directed social services care funding being driven by government, do you believe that a common/ uniform set of measures for NFP social services organisations across Australia, that includes elements of independently surveyed data, would be of value to NFP organisations as a performance improvement tool and, also to stakeholders, clients and potential clients as a transparent means of disclosing the organisation’s effectiveness and
contribution to its clients and society? These measures could be available on your website and on the Australian Charities and Not-for-profits Commission website also, for example

Q 117] I would appreciate your views on which of the following measures, if any, could be made available by NFP social services organisations on their website/publications and via the Australian Charities and Not-for-profits Commission’s website to assist potential clients assess the effectiveness and contribution to ongoing client wellbeing of these organisations [see over]

Many thanks for your valuable contribution to this important research project.
Appendix 2.

Interview guide and questionnaire for the CEOs and senior management of the stakeholder organisations

Interview guide—Clients and stakeholders

INTRODUCTION

I am conducting a research project as part of my studies towards a Doctor of Business Administration at the Charles Sturt University. It aims to develop a better way for Not-for-profit social/ community services organisations operating in Canberra, the ACT and the eastern N.S.W region to improve their overall effectiveness and efficiency.

Presently, Not-for-profit social services organisations receive over 60% of their funds from Commonwealth, State and territory budgets. The findings of the recent Australian Government Productivity Commission’s Report into the Not-for-profit sector in 2010 identified that Not-for-profit organisations [NFP] needed to significantly improve their level of effectiveness and board governance practices. It would appear that all Governments and taxpayers are seeking much better use of these funds from these organisations and are also requiring these organisations to be more accountable to their stakeholders.

Whilst we will be interviewing the management and board directors on NFP organisations, we are keen to interview clients and their carers as well as other stakeholders, in order to gain their views on the type of information that they would like in order to assess the quality and effectiveness of their NFP service provider.

I would appreciate the opportunity of interviewing you at a mutually convenient time to discuss the above issues. Your name will not be referred to in any part of the report, but we would like to list the organisation’s name as a participant in the study. It is proposed that a brief summary of my research findings be sent to all participating organisations in due course.

Do you have any questions before we begin?

BACKGROUND INFORMATION

Name/initials

Type of stakeholder: clients of the NFP social services provider, potential clients, carers, donors [nominate]

Male/female
Age bracket 20-29, 30-39, 40-49, 50-59, over 60 [years]

A] OPENING QUESTIONS

Q. 201] Could you please describe what types of social services you are currently involved with as a client/carer/stakeholder? [Probe; child, youth and family care, foster care, youth services, disability services, homelessness etc.

Q. 202] What NFP organisations are you associated with?

Q. 203] What do you believe are the three most important issues facing Not-for-profit social services organisations in Canberra, the ACT and the eastern NSW region, as they try to improve their overall effectiveness and efficiency? [Probe; lack of funding, lack of co-ordination of different layers of Govt.]

Q. 204] What information do you use to assess the effectiveness/contribution of various NFP social services providers, with whom you are associated?

B] KEY QUESTIONS ON EFFECTIVENESS

Q. 205] What types of information would you like to have access to in order to assess the overall effectiveness and efficiency of the Not-for-profit social services organisation? [Probe: service delivery outcomes, client satisfaction, financial statements, no. of complaints, benchmarking, source and use of funds, performance compared to measurable objectives that align to the mission]

Q. 206] How would you like to gain access to this information? [probe: website, annual report, brochures, regular updates in the media]

C] KEY QUESTIONS ON BOARD GOVERNANCE PRACTICE

Q. 207] What types of governance activities should be carried out by the board of directors? [Probe; performance monitoring, risk and financial management, conformance e.g. legal and regulatory]

Q. 208] Are there any areas in which you feel the board [s] needs to be more proactive with regard to its governance responsibilities?

D] OTHER KEY QUESTIONS

Q. 209] In what ways do you believe the Not-for-profit social services organisation could use their funds more effectively? [probe: better trained staff, better facilities, better communication, more transparency]

E] CLOSING QUESTIONS

Q. 210] Finally, what are the three key strategies/initiatives that you believe should be implemented to improve the effectiveness and efficiency of the Not-for-profit social services provider, that you are associated with?
Q.211] Given that potential clients as well as government depts. are starting to request information about the effectiveness of NFP organisation and the accountability for the funds provided, what types of measures/ information do you feel should be provided to assist in assessing the effectiveness of the organisation?

Q.212] With the emerging trend of client directed social services care funding being driven by government, do you believe that a common/ uniform set of measures for NFP social services organisations across Australia, that includes elements of independently surveyed data, would be of value to NFP organisations as a performance improvement tool and also to stakeholders, clients and potential clients as a transparent means of disclosing the organisation’s effectiveness and contribution to its clients and society? These measures could be available on the organisation’s website and also on the website of the Australian Charities and Not-for-profits Commission, for example.

Q. 213] I would appreciate your views on which of the following measures, if any, could be made available by NFP social services organisations on their website/ publications and via the ACNC’s website to assist potential clients assess the effectiveness and contribution to ongoing client well-being of these organisations [see the list over]

Are there any other measures that you believe should be added to this list?

Many thanks for your valuable contribution to this important research project.
Appendix 3

Measures of Organisational Effectiveness

a) management / board 
b) clients, 
c) stakeholders, including potential clients, carers, [nominate group]

**Outcomes accountability** [ie improved client wellbeing/being better off]

- Level of client satisfaction with service quality, via independent survey [IS]
- Level of carer satisfaction with the organisation, via IS
- Carer assessment of changes in client attributes/ wellbeing over time, via IS
- Client/ carer recommendation to potential clients [net promoter score] via IS
- Measures before and after participation in the service program
- Number and seriousness level of complaints
- Status of accreditation [if required]

**Governance**

- Level of compliance with government contract [s]
- Vision, mission and objectives and achievements displayed on website
- Assessment of performance against outcome focused objectives
- Overall conformance- legal and regulatory
- Assessment of the level and quality of risk management
- Reputation of the organisation via independent survey [via IS]
- Assessment of the level of transparency based on website content
- Broad details of annual business and strategic plans
- Detailed listing of all directors and the auditor

**Capacity**

- Financial health and sustainability [e.g. Cash flow, debt ratio, profitability]
- Level of external financial backing [limited –extensive]
- Level of staff / volunteer satisfaction with employer via an independent employer of choice survey
- Content, ease of navigation and accessibility of the organisation’s website via independent assessment
- Efficiency of fund raising [i.e. costs of fund raising/ promotion as a percentage of total donations]
• Efficiency of back office [i.e. head office administration costs as percentage of total revenue] Other measures;
CONSENT FORM

PARTICIPANT:

1. ………………………………………………………………………………………………………………………………………………………………………
   (please print name) agree to take part in the research project entitled: Exploring the organisational effectiveness of Not-for-profit organisations; Outcomes accountability, governance and capacity measurement.

1. I have read or had explained to me the Information Sheet.

Consent to interview

2. The researcher, Mr John Lawson, has answered my questions about the project.

3. I agree to take part, and:
   I know I can say yes or no.
   I don’t have to answer any question I don’t want to.
   I know that I may change my mind and withdraw at any time. In such a case, data/information that I provided may also be withdrawn post-interview.

4. I understand that the interview will take about one hour

5. I agree to this interview being audio recorded or documented by hand written notes.

6. I understand that I can ask to see the transcript of the audio recording or see the notes from the interview after they have been typed up so that I can check that they are accurate.

7. I understand that all the information I provide is treated as confidential, and that neither my name nor any other identifying information will be used or published without my written permission.

8. I agree that information gathered for this project may be published as long as I can’t be identified.

9. I understand that if I have any questions or complaints about the project I can contact Mr. J. Lawson on (02) 62302101, or email jelawson@bigpond.com or
Associate Professor Dr. B. Krivokapic-Skoko on (02) 6338 4428, or email: bkrivokapic@csu.edu.au.

10. I will be given a copy of this Consent Form and the Information Sheet to keep.

........................................................................................................................................

(signature of participant) (date)

RESEARCHER:
I have described to ...........................................................................................................

(name of participant) the purpose, methods, demands, inconveniences, and possible outputs of the research (including publication of research results). In my opinion s/he understood the explanation.

Name and role in project:
Exploring the organisational effectiveness of Not-for-profit organisations; Outcomes accountability, governance and capacity measurement.

........................................................................................................................................

(signature) (date)

The Commonwealth of Australia Register of Institutions and Courses for Overseas Students (CRICOS) Provider Number is 00005F for Charles Sturt University and the Charles Sturt University Language Centre.

OTHER/S PRESENT AT INTERVIEW (list):
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The purpose of the research has been explained to me.
I have read and understood the Information Sheet given to me. I have also been given the opportunity to ask questions about the research and received satisfactory answers.

NOTE: Charles Sturt University’s Ethics in Human Research Committee has approved this project. If you have any complaints or reservations about the ethical conduct of this project, you may contact the Committee through the Executive Officer:
The Executive Officer
Ethics in Human Research Committee
Academic Secretariat
Charles Sturt University
Private Mail Bag 29
Bathurst NSW 2795
Tel: (02) 6338 4628
Fax: (02) 6338 4194

Any issues you raise will be treated in confidence and investigated fully and you will be informed of the outcome.