

Evaluation of Non-profit Organizations

EXECUTIVE SUMMARY

Chapter 1

Streamlining Evaluation Definitions, Approaches and Methodologies

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The U.S. and Japanese scholars has attempted to make definitions of evaluation especially for these four decades. Some of these definitions were reviewed to tell that there is no unified definition of evaluation in the beginning of this essay. Then, the difference between evaluation of organization and project/program evaluation was explained. There are various approaches such as pre/mid term/post evaluation, internal/external evaluation as well. Finally, the table was added to quickly review the various methodologies that have been developed since 1960s. Generally, they tend to have over expectation toward the evaluation. However, as I explained in this chapter, the evaluation has its limitation and features. To utilize evaluation wisely, we clearly define the purpose of the evaluation at before we design the evaluation task.

Chapter 2

Nonprofits and their Organizational Evaluation

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Nonprofits have various objectives and roles based on their communities and missions. Therefore, evaluation of the Nonprofits should not be focused on the comparison of different organizations, but on the continuous improvements of each organization. Evaluation should be done at least from these two aspects; performance measurement of programs, and organizational evaluation. Organizational evaluation contains two viewpoints; one from outside to measure organization's credibility, such as fair process of decision-making or financial sustainability, and the other from inside to assess

organizational social capital, such as teamwork or human resource development. BoardSource (former National Center for Nonprofit Board) issued “Self-Assessment of Nonprofit Governing Boards” and “Assessment of the Chief Executive” to support self assessment of nonprofits to find out their current situations and difficulties, and to make plans to improve by themselves. Japanese Nonprofits should provide more information for their various supporters, from individual citizens to large grantmakers, to let them understand and feel safe on their decision. Form990 is an important example to understand the items and depth of information to be disclosed. Malcolm Baldrige National Quality Award is another example of organizational evaluation for improvements. Criteria for Education and Health Care were added 2000, and criteria for Nonprofits will be added in 2004.

Chapter 3

Some Approaches to Evaluate Nonprofit Organizations in the US

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There are various approaches to evaluate nonprofits. One such approach for American nonprofit organizations is self-assessment to see how their boards or executive directors fulfill their responsibilities or to re-examine their mission. Regarding self-assessment of their programs, American nonprofits have focused on outcome evaluation to learn how their programs have made impacts on program participants and/or the society they serve. It is critical for nonprofits to know how they are doing rather than what they do or did. Since 1990s, more organizations started rating nonprofits from financial viewpoints. The ratings, although rating standards vary from one organization to another, how nonprofits utilize every incoming dollar to run the organizations or their programs is the key. Award programs for nonprofit excellence can also be considered as evaluation that nonprofits organizations could use for evaluation. Although it is the hosting organizations that decide which nonprofits would be awarded, nonprofits go through self-evaluation before they apply to the awards. In this sense, such awards have an element of self-evaluation and could help nonprofits better their management system or program implementation. For Japanese nonprofits, introducing evaluation to their management and program implementation will be critical to many Japanese nonprofits to fulfill their social responsibilities.

Chapter 4

Notes on NPO organizational assessment based on the experiences in NPO assessment system development

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"Assessment Mie," a community think-tank (specific activity organization) started in Mie Prefecture with a mission to promote assessment activities for the organizations involved in public benefits, has continue to provide an assessment system for various non-profit organizations since its establishment in 1999. Their "organizational assessment system 2001" is an assessment system focused on the assessment of NPOs, and aims to identify issues within such organizations through internal review activities. The background of such assessment system is the concept that NPOs can raise the level of social contribution activities through the development of organizational foundation. To do so will involve both the expansion and maturing of an organization. The problem of the assessment system is its usability as it aims for the generated application of the assessment system. In order to solve this problem, it may be necessary to hold a discussion in NPO sector on the growth of non-profit organizations. Furthermore, if the assessment system is to be applied for external assessment, it needs to clarify the purpose of such external assessment. The future problem in the assessment of organizations may include the difficulty of quantifying a sentiment toward an organization itself commonly and characteristically shared among non-profit sector.

Chapter 5

Adopting Balanced Scorecard to Internal Evaluation Systems of Nonprofit Organizations

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In this paper, I discuss methodology of internal evaluation systems of nonprofit organizations (NPOs). It is the most important for NPOs to achieve their missions. NPOs have a wide range of mission statement and do not aim at financial targets as their final purposes, in comparison with for-profit organizations all of which have financial targets as the final purposes. It is necessary for NPOs to achieve their missions effectively and efficiently. So, NPOs should have internal evaluation systems. However, actually, most of NPOs in Japan do not have internal evaluation system yet. There are three reasons.

At first, it is difficult to measure results about activities of NPOs quantitatively. Secondly, it takes evaluation costs. Furthermore, there are negative perspectives with evaluating themselves in NPOs. I position internal evaluation systems as a tool that can achieve their missions effectively and promote development of organizations. This paper presents one of the most suitable methods for effectively activities on the basis of balanced scorecard (BSC) approach to evaluate NPOs, and considers effectiveness and problems of BSC as evaluation technique of NPOs.

Chapter 6

Organizational Assessment at the United Way of New York City: Lessons for the Development of Evaluation System for the Japanese Nonprofit Sector

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The essay is on the case study of the organization assessment method of the United Way of New York City (UWNYC) and draws several lessons for the development of the evaluation systems for the Japanese Nonprofit Sector. The purpose of the assessment by the UWNYC is to screen the applicant organizations for the new membership of UWNYC's general grant program. The characteristics of the UWNYC's assessment are: clear and logical connection between the purpose of assessment and the criteria, wide range of criteria to assess the organizational capacity, independent volunteer committee responsible for the evaluation, and feedback and follow-up system to support the applicant organizations. The infrastructure, like the common understanding about the accountability of nonprofit organization or the considerable resource mobilization correspondent to the evaluation cost, could make the complicated assessment possible in the United States. Some basic steps should be taken in Japan before initiating organizational assessment of nonprofit organizations: clear setting of the purpose of the evaluation, communication between the nonprofit organization and evaluating bodies, building basic statistics to increase the visibility of the nonprofit sector, and developing guideline for nonprofits to improve spontaneous reporting.

Chapter 7

Issues on the Establishment of Evaluation Criteria and Data Analysis

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Recently the importance of collaboration among NPOs, corporations, governments has been discussed. To realize such collaboration, it is needed to develop evaluation scheme for NPOs. This report reviewed the possibility of developing evaluation scheme and pointed out the challenges involved. It focuses on the following items in quantitative aspects. (1) overall issues in the establishment of evaluation criteria; (2) issues of evaluation in views of volunteers works and in-kind contribution; (3) evaluation issues in terms of revenue structure; (4) evaluation issues from the aspect of expenditure structure; (5) evaluation issues in consideration of the balance carried-over to the next term; and (6) issues within organizations trying to collaborate with NPOs. The most important values of NPOs are their civic activities serving for public benefits, but to evaluate such values presents difficulties. Among NPO evaluation, possible methods will be evaluation on organizational structure and project evaluation, especially quantitative evaluation. Such methods and their applications to NPOs present many problems given the present situation of NPOs. Before discussing "NPO evaluation," it would be necessary to "disseminate information on the status quo of each individual NPO" and to build a socio-environmental infrastructure for NPOs, through the construction of an open "NPO information database." Moreover, it will be necessary to proceed NPO evaluation system along with the evaluation of government and business corporation activities. Also "a system of disclosure and dissemination of administrative and financial information of government" may be needed to enable the civic evaluation of government administration.

Chapter 8

The Challenge of the Self Decision Mechanism by Civil Society

The Case of tax reduction certification by the Philippine Council for NGO Certification

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The Philippine is the one of the countries that has the most matured and active civil society sector in the world. In 1997, they started the third party organization for NGO certification for tax deduction status. This organization is initiated and operated by the

NGOs by themselves. That is the Philippine Council for NGO Certification (PCNC) of which status is legitimized within the new Tax Reform ACT (Republic Act 8424.) In this paper, I reviewed the organizational structure, evaluation criteria and the questionnaires, evaluation process and the qualification of the evaluators. The evaluators are nominated within the NGO sector that will be applied PCNC certification. The lessons that could be shared with Japanese nonprofit sector are PCNC's policy that they keep evaluation as an tool of the improvement of NGOs.

Chapter 9

Corporate Social Contribution Programs Evaluation Method Based on NEC's Case

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In Japan, companies have traditionally defined their social contributions as philanthropic actions that distribute a portion of corporate profits to society. There are now many companies that practice social contributions as part of their social responsibility as a good corporate citizen. Such rationale of corporate social contribution activities may no longer be defensible in face of an on-going recession. Of late, some companies have begun to position corporate philanthropy as a social investment that is expected to generate value to the company as well as to its stakeholders. Stakeholders are defined to include communities and civil society organizations, employees, customers and shareholders. In this case, it becomes important to measure returns or outcomes, and to evaluate the process and cost efficiency of social contribution programs. This chapter presents NEC's case. Since 1999, NEC has used a method of its own design to evaluate its social contribution programs. The evaluation process considers two factors: value to communities, including civil society organizations; and value to the company, including employees. It has helped NEC to restructure programs in accordance with its own policies and strategies, and to improve its social contributions programs to be more cost-efficient and accountable.

Chapter 10

Corporation's Social Contribution and its Assessment

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The first half of this report will introduce the social contribution concepts adopted by Japanese corporations in the past through the history of Honda Corporation in the society. After the end of the World War Second, Japanese manufacturers used to embrace the concept of contributing to the enrichment of people's lifestyle and society itself through their technologies, in other words through their principle businesses of manufacturing. However, mass dissemination of mass produced products in the market led to the emergences of various social problems. 1960's and 1970's were the periods when corporations were subjected to the questions of social responsibilities due to corporate-origin pollution, including increased traffic accidents, and environmental pollution. Around these periods, consumer and environmental activists targeted big companies as the enemies of the society. It was the time of confrontation between corporations and NPOs. In 1980's, many of Japanese manufacturing companies led by electric appliance makers and automobiles manufacturers expanded their production sites to abroad. They soon re-realized, especially in the United States, that no corporation and its production site could exist without solid foundation in a local community, and learned how to cooperate with NPOs in their activities. The start of 1990's found many Japanese corporate executives led by Keidanren focus on how to contribute to the society, signifying the start of time in search of relationships with NPOs. The Kobe Earthquake became an epoch-making event in terms of collaboration between corporations and NPOs to solve the difficulties and problems faced by regional communities. The latter half of this report will explain the author's thoughts based on his hands-on experiences of the past five years and more, on what are the values of NPOs as corporate partners, how corporations can overcome their limitations through the collaboration with NPOs, and how corporations can evaluate NPOs.

Chapter 11

NPO Loans and Assessment : Assessment System and Application Reality of Labor Bank's NPO Business Support Loans

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Among various fund procurement methods available for NPOs, "loans" from financial institutes have not been a popular method in Japan. One significant factor is the absence of an assessment method to evaluate NPO like those used for corporate loan screening, with another factor to be the uncertainties of needs and rational for loans to non-profit businesses. Kinki Labor Bank (called Kinki Rokin) launched the new NPO loans called "Rokin NPO Business Support Loan" in April 2000 by developing own assessment system to determine the credibility of NPOs. In designing NPO assessment system, Kinki Labor Bank not only adopted the concept of corporate loan screening but also stressed the non-financial viewpoint focusing on the features of each NPO. This was because of the belief that it would be possible to prove the sustainability of businesses and certainty of repayment, independent of financial assessment. Such assessment system has enabled them to quantify the risk of bad debts, while providing fair and standardized materials for loan screening. In the future, it will become necessary to heighten the accuracy of NPO assessment by steadily accumulating the experiences of actual loans, in order to expand NPO loans further. Moreover, it will be important to offer appropriate advice to NPOs in their funding and management, from the viewpoint of bottoming up the NPO activities as a whole.

Concluding Remarks

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As NPOs expand their social roles, the needs of evaluation on NPO and activities have increased, leading to the on-going development of evaluation methods, such as those for project evaluation and organizational evaluation. The following five items can become major issues in the founding and effective functioning of NPO evaluation methods. (1) Clarification of the purposes of evaluation and feedback: Self-evaluation aims to identify the points of improvement, and the result must be reflected upon the business judgment and organizational management. In the third-party evaluation, it will be desirable to develop common understanding between the NPO and an evaluator over organizational and business management matters, prior to the actual undertaking of evaluation works. (2) Encouragement of NPO information disclosure: Information on activities and basic statistics are essential for proper NPO evaluation. Possible ways may include NPO's voluntary information disclosure and the administrations' supportive measures such as the establishment of a guideline for information disclosure. (3) Development of an accounting system: To enable the comparison of financial and accounting information,

which is a basic element of NPO evaluation, it is necessary to study for the unification of accounting standards. (4) Evaluation of evaluation works: Evaluation process needs resources. If the evaluation improves the organization and activities of NPOs, then the input of resources should be recognized as an investment, so it will be possible to calculate the required amount of resource input based on cost-effectiveness. (5) Study of evaluation methods and training of evaluation experts: It is preferable to implement the systematic transfer of technologies starting from the fields with established methodologies, such as ODA project evaluation. Urgently needed is the training of evaluation experts, with the expected development of programs and the opening of graduate schools suitable for human resource development. To establish NPO evaluation methods requires the review of methodologies through practices, persistent attempts on trial and error, and incorporation of feedback. While many NPOs try to evade or despise evaluation, it would be essential to create an evaluation scheme that would be beneficial to both evaluators and NPOs.