

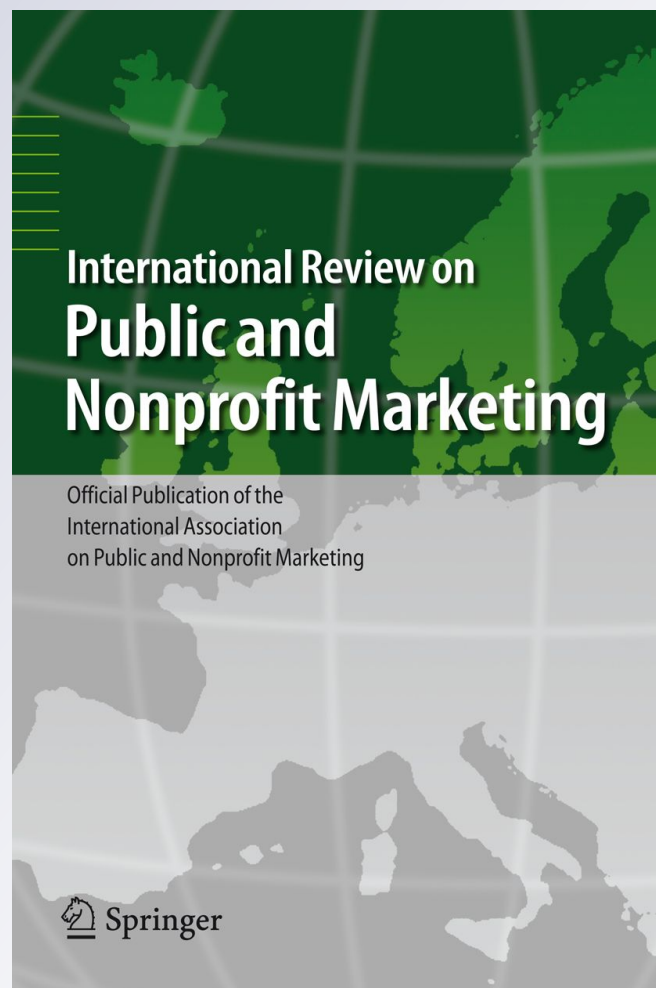
The untapped potential of marketing for evaluating the effectiveness of nonprofit organizations: a framework proposal

Marta Rey García, Luis Ignacio Álvarez González & Laurentino Bello Acebrón

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The untapped potential of marketing for evaluating the effectiveness of nonprofit organizations: a framework proposal

Marta Rey García · Luis Ignacio Álvarez González ·
Laurentino Bello Acebrón

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Abstract Evaluation of the effectiveness of public benefit charitable nonprofit organizations (NPOs), both in terms of organizational performance and social impact, has been increasingly on demand. However, and due to different reasons, nonprofit effectiveness evaluation is still an unresolved issue in practice for many of those organizations. This paper reviews some of the most frequently used evaluation approaches with a double purpose in mind. First, to demonstrate that the application of marketing concepts, particularly those of market orientation and relationship marketing, has still a strong potential in the specific field of practitioner-oriented measurement and evaluation in NPOs. Many of the available frameworks are operations-, accounting and control-, or finance-driven; and therefore risk missing the market- and multi-stakeholder orientation that is crucial to improve the effectiveness of nonprofit organizations in pursuing social innovation, and also the centrality of mission and societal values for nonprofits. Second, the paper outlines and proposes a marketing-based and practitioner-oriented framework for approaching the evaluation of nonprofit organizational effectiveness. The main underlying thesis is that nonprofit effectiveness ultimately depends on the capacity of NPOs to become market oriented and to build and effectively manage relationships with relevant stakeholders over the long-term. The proposed framework combines two different aspects: the first measures the perceived value obtained by beneficiaries/customers, donors, partners

M. Rey García · L. Bello Acebrón
School of Economics and Business, University of A Coruña, Campus de Elviña s/n 15071, A Coruña,
Spain

M. Rey García
e-mail: martarey@udc.es

L. Bello Acebrón
e-mail: lbello@udc.es

L. I. Álvarez González (✉)
School of Economics and Business, University of Oviedo, Avda. del Cristo, s/n, 33071 Oviedo,
Asturias, Spain
e-mail: alvarezg@uniovi.es

and other relevant stakeholders; the second puts a value to the outcomes of those satisfactory relationships in terms of enhanced trust and commitment, ultimately leading to long-term impact.

Keywords Nonprofit marketing · Evaluation in nonprofit organizations · Nonprofit organizational effectiveness · Market orientation · Relationship marketing concepts (satisfaction, trust and commitment)

1 Introduction

Evaluation tools and methods to assess the organizational effectiveness (in terms of performance and/or social impact) in public benefit charitable nonprofit organizations (NPOs) have been in increasing demand during the last decades; with the ultimate goals of improving mission achievement and ensuring accountability to stakeholders (Flynn and Hodgkinson 2001; Vázquez et al. 2002; Bennett 2005; Shoham et al. 2006; Williams and Iman 2007; Hsieh et al. 2008; Murray 2010; Ebrahim 2010). A growing consensus exists among nonprofit practitioners about the need to evaluate for strategic, tactic and ethical reasons. Evaluation may serve as a compass in NPOs aiming to obtain a differential positioning, by remaining coherent with their mission, values, and strategic goals; while at the same time being sensitive to the environment and to their stakeholders' needs. Evaluation would allow them to move from a theory of hope to a theory of change, providing for the basis for successful communication strategies and organizational learning processes (Meffert 2005; Tayart De Borms 2005; Martin and Ernst 2006). Institutional, managerial, and strategic functions of evaluation have also been pointed out by academics, who argue that the more intense the competition faced by NPOs, the more similar performance measurement across sectors becomes (Kotler and Andreassen 2007); while at the same time describing a wide variety of evaluation practices (Hall et al. 2003; Zimmermann and Stevens 2006).

Furthermore, the demand for evaluation within NPOs has been also fostered by the fact that the nonprofit sector has been increasingly permeated by market forces, compounded with the adoption of social concerns and philanthropy-related strategies by firms (Sargeant 1999). Examples of the first trend are provided by NPOs increasingly setting more stringent financial goals and considering market tests of performance, and by the surge of venture philanthropy and social entrepreneurship (Dees 1998; Letts et al. 1999). The second trend is exemplified by the growth of corporate social responsibility and corporate philanthropy as eventual sources for competitive advantage for businesses and for the creation of shared value; that are expected to yield a return and frequently translate into partnerships between firms and nonprofits (Porter and Kramer 2002, 2011). Corporate partners and donors require a business-like approach to nonprofit practitioners; venture philanthropists expect measurable results from their social investment projects (Letts et al. 1997).

Despite increasing demand and a growing variety of practices, however, meaningful evaluation is still an unresolved issue in the daily operations of many NPOs. On the one hand, nonprofit organizational effectiveness is comparative, multidimensional and a social construction. It depends on values that are central for NPOs; however, the fact that

those values are frequently unstated or even nonconsensual, may pose serious challenges to the development of organization-specific indicators (Kanter and Summers 1987; Herman and Renz 1997, 2008). On the other hand, increasing demands for evaluation from funders and other relevant stakeholders, are not always accompanied by increased financial support; most NPOs lacking the resources to evaluate beyond simple input/output indicators (Carman 2007, 2009).

In this context, the purpose of this paper is double. First, it tries to demonstrate that the application of general marketing concepts and trends still has a strong potential in the specific field of evaluation of nonprofit organizational effectiveness. In order to achieve such goal, a preliminary review of approaches to the evaluation of nonprofit organizational effectiveness, particularly those most frequently utilized by practitioners, is performed. Such review is utilized as an antecedent, and compounded with a set of both extrinsic and intrinsic reasons, in order to argue the need for a marketing-based framework to systematically approach practitioner-oriented evaluation in NPOs. Second goal consists of developing an integrative marketing-based framework for evaluating nonprofit effectiveness. In order to achieve that goal, key marketing concepts are discussed in the specific context of the differential nature of NPOs, as mission-oriented, multi-stakeholder organizations aiming at achieving a positive social impact that is usually focused on a target group of beneficiaries. The proposed framework builds upon both traditional marketing concepts and current trends (market orientation and relationship marketing); identifies key stakeholder groups that most strongly influence NPO effectiveness (beneficiaries, donors, partners and competitors); and integrates four key dimensions to be evaluated (satisfaction, positioning, trust and commitment). Implications for practitioners of the proposed framework are further explored. This work thus aims to contribute to the nonprofit effectiveness evaluation literature from a marketing perspective, translating marketing concepts and models into a framework that tries to address the distinct nature of NPOs and the specific evaluation needs of their practitioners.

2 A review of approaches to nonprofit effectiveness evaluation

When reviewing literature about organizational performance and social impact evaluation in NPOs, the first evidence that emerges is the significant growth of the broader field of evaluation over the past decades; both from an academic and a professional perspective. Thus, academic literature includes multidisciplinary approaches to measuring both the aggregate impact of the sector (Flynn and Hodgkinson 2001), and the performance of member organizations (Cutt and Murray 2000; Wisely 2002; Braverman et al. 2004). All literature reviewed agrees upon the idea that the specificities of NPOs require complex and customized evaluation systems; combining normative, strategic and operational dimensions (Meffert 2005; Barman 2007); capacity or performance-related, activity or strategy-related, and impact or mission-related measures (Sawhill and Williamson 2001); process or productivity, results, and social impact measures (Anthony and Young 1994). Current research is closely connected, on the one hand, to the social demand for increased transparency and accountability within the nonprofit sector (Cutt and Murray 2000); and on the other hand, to the concepts of social capital and market orientation, and to

systems and stakeholders theories (Álvarez et al. 2002; Bennett 2005; Shoham et al. 2006; Williams and Iman 2007; Hsieh et al. 2008).

From a marketing perspective exclusively, and parallel to the expansion of the field of nonprofit marketing (Sargeant et al. 2002; Vazquez Burguete 2004; Yorke 2007; Dolnicar and Lazarevski 2009; Blery et al. 2010), measurement of quality and customer satisfaction in NPOs has progressively received increased attention in the academic literature (Motwani et al. 1996; Caruana et al. 1998).

Furthermore, there exists a not despicable repertoire of practitioner-oriented resources and case studies on effectiveness evaluation in nonprofits, charitable foundations included (see cases by the SEKN; W.K. Kellogg Foundation (WKKF) 1998, 2002, 2006; The Pew Charitable Trusts (PCT) 2001; United Way International (UWI) 2006; Bill & Melinda Gates Foundation 2010; Avina 1999–2010; Ashoka 2006 and 2010). International symposia and workshops gathering together academics and practitioners have resulted in monographs on the issue (Bertelsmann Foundation 2001; World Economic Forum (WEF) 2003). Specialized nonprofits, consultancy firms, and umbrella organizations in the US have also systematically produced materials on evaluation in both grantmaking organizations and their grantees (The Center For Effective Philanthropy (CEP) 2002 and 2004; Patrizi 2006; Kramer et al. 2007; Kramer et al. 2009; Grantmakers for Effective Organizations (GEO) 2009; Kramer et al. 2010). These resources relate not only to organizational performance, but also to social impact assessment (SIA). Originating from governments' interest in understanding the impact of public service programs in the mid-XXth century, SIA has spread into the nonprofit sector since the early 1990s, with the support of US foundations such as Ford or Rockefeller (The Rockefeller Foundation (TRF) 2003), and professional associations such as the Social Impact Analysts Association (SIAA). The Tools & Resources for Assessing Social Impact (TRASI) Database, aggregating over 150 best practices, tools and methods, should be mentioned among latest developments (TRASI 2011).

To synthesize, an in-depth review of a broad sample of these highly heterogeneous academic and practitioner materials has allowed us to propose the following set of five evaluation approaches in NPOs, under which most commonly used evaluation best practices, tools and methods, including self-developed ones, can be classified:

2.1 Return-on-activities

This approach is based on financial and project management techniques such as net present value (NPV), internal rate of return (IRR), or cost-benefit analysis (CBA). It focuses on the quantitative evaluation of discrete activities or projects. A typical example is the Social Return on Investment (SROI) methodology, based on the idea that the activities or projects of a nonprofit organization have a *measurable financial return*, in terms of either a decrease of public or private resources devoted to the same public benefit purpose, or in terms of increased economic activity, or both (WEF 2003). Future outputs of activities or projects are predicted and monetized, and costs are detracted to quantify impact (TRF 2003). This approach has been mainly used by venture philanthropists and social entrepreneurs, such as the Roberts Enterprise Development Fund, or the Global Social Venture Competition.

2.2 Program logic model

This approach focuses on evaluating programs that compound different activities or projects, and examines their results (outputs or products, and outcomes or specific benefits for program participants), and their impact, defined as the fundamental social change occurred as a result of the program (PCT 2001; WKKF 2002; UWI 2006). The typical tool is the Program Logic Model, which pretends to state the *causal connection* between inputs or resources, planned for and implemented activities, intended results (outputs and outcomes), and impact. This social engineering-inspired approach has been extensively used by private foundations such as the W.K. Kellogg (WKKF 1998 and 2002).

2.3 Organizational performance (Balanced Score Card)

Performance assessment is considered a crucial *component of the governance/management cycle of planning and control* in organizations, and a natural consequence of the transfer of strategic planning and total quality management concepts and methodologies from businesses to nonprofits (Porter and Kramer 1999). This cycle of continuous improvement begins with prospective activities (planning, programming and budgeting), continues with ongoing activities (implementation, monitoring and assessment, internal reporting and/or audit), and feeds back with retrospective activities (external reporting, external evaluation and/or audit). Metrics and indicators are devised at the same time as goals and objectives are set (UWI 2006). The evaluation component focuses on measurable, objective activities, and a whole range of data are gathered, synthesized and interpreted through indicators, thus allowing the nonprofit organization to control for any deviation of its results from pre-set goals and objectives, and to correct its course accordingly (PCT 2001; Tayart De Borms 2005). This approach is closely connected to the concept of accountability, particularly when broadened to cover the institutions, techniques and language of performance measurement, reporting and evaluation (Cutt and Murray 2000). The application of the *Balance Score Card* methodology (BSC) to nonprofit organizations would fall under such an approach. This methodology tries to situate organizational strategy at the core of all management processes and systems, and combines traditional financial indicators with three new perspectives: learning and growth potential (capacity to change and improve), business processes, and customers (Kaplan and Norton 1992). The model has been adapted by venture philanthropists (such as New Profit Inc.), global nonprofits (e.g. Avina Foundation annual reports), or service providing nonprofits (Inamdar and Kaplan 2002); by adding a fifth perspective of social impact (WEF 2003).

2.4 Systemic

Under this approach, evaluation is considered key for nonprofits to achieve systemic social change, and is defined as a continuous, systematic, and participatory learning process involving all relevant stakeholders beyond the borders of the organization (see the methodology of The Annie E. Casey Foundation in Silverman 2004; The Bill & Melinda Gates Foundation “What We’re Learning” case studies; WKKF 2006; Ashoka 2006 and 2010). Focus is therefore on environmental change, inspiration

coming from systems theory. Systemic evaluation requires an underlying theory of social change to clarify why the organization operates in a certain way, therefore relating to the concept of effectiveness. It accommodates *external factors or inputs beyond the control of the organization, unintended results, and feedback effects into complex and interconnected scenarios*. The relationships among parts and the limits of dynamic analysis are made explicit, and the perspectives or points of view of participants in the evaluation process are considerably broadened (Williams and Iman 2007).

2.5 Benchmarking

This approach compares the performance of NPOs with peer organizations', particularly competitors with best practices. It has been applied by international commercial developments such as Guide Star (for nonprofit compensation); by national indexes fostered by umbrella organizations (the case of the *Corporate Philanthropy Index (CPI)* developed in the late nineties in the US at the request of the Council on Foundations, see Walker Information 2002); and also by national and international indexes commissioned by firms and designed specifically to measure and compare the impact of their corporate responsibility strategies and community commitment. This approach necessarily builds on the other previously mentioned frameworks. The British-born *London Benchmarking Group* model, for example, puts monetary value to the costs of businesses' community involvement (money, time, in-kind and management costs), and compares them to the results obtained (resources attracted by the initiative, benefits for the community and benefits for the firm) for each and every firm benchmarked (London Benchmarking Group (LBG) 2004). In the specific area of foundations' performance, this approach has been extensively applied by the Boston-based Center for Effective Philanthropy, which benchmarks the perceptions of different stakeholders (mainly grantees; but also applicants, board and staff members) and operational indicators for its clients (The Center For Effective Philanthropy (CEP) 2002 and 2004). The Charity Navigator (TCN) new rating system has extended the benchmarking approach to all types of nonprofits (TCN 2011).

The first conclusion of this literature review, mainly focusing on practitioner-oriented resources, is that the subject of effectiveness evaluation is no exception to the long-established trend within the nonprofit sector to adopt, and sometimes adapt or transform, certain business management science tools and concepts. Second, evidence suggests that most widely used evaluation methodologies have traditionally focused on quantitative, efficiency-related, inward-oriented, project- or program-level, corrective, output-based and operational indicators. Therefore the orientation has predominantly been financial, and core metrics have been quantitative if not fully monetary (for a review of such methodologies see Cordes and Coventry 2010).

Last and main conclusion of this focused literature review, refers to the relative scarcity of practitioner-oriented evaluation resources that are fully based on marketing concepts and models. Surveys and other market research tools have been frequently used when measuring marketing concepts such as quality and customer satisfaction in certain service-providing NPOs. However, only two of the five proposed frameworks explicitly and systematically integrate marketing concepts. The

adapted BSC includes a customer or client perspective, and the benchmarking approach may include stakeholder perceptions of organizational effectiveness. This relative infra-utilization of marketing concepts and models on the side of nonprofit practitioners undertaking effectiveness evaluation is coherent with two arguments in previous academic literature. First, the fact that the application of marketing theories and concepts to NPOs is relatively more recent and less elaborated than in for-profit organizations (Vazquez Burguete 2004). Second, the lack of confidence on the full potential of marketing dominant among nonprofit practitioners. Although the marketing function may facilitate evaluation of nonprofit effectiveness in terms of customers being served, products being offered, and distinct competencies or competitive advantages possessed by the organization (Álvarez, et al. 2002); it frequently is either rejected as a purely business-oriented tactic, or reduced to a plain set of commercial communication tools, mostly associated with fundraising and public relations (Bruce 2005).

3 A conceptual approach for a marketing-based framework for effectiveness evaluation in NPOs

We propose three compounding arguments in support of the need for a marketing-based framework to systematically approach practitioner-oriented evaluation in NPOs. First, the current environment surrounding NPOs is characterized by complex and rapidly changing demands from multiple stakeholders, blurring boundaries between sectors, scarce resources, government regulation and increasingly challenging social needs. Although implementing financial and operational approaches to evaluation is particularly necessary under current economic crisis, efficiency is not sufficient for steering successfully through this new environment, which puts mission effectiveness to a continuous test. The dominant ethos in this complex entourage, increasingly configured by competitive forces, is for NPOs to be stakeholder oriented or, in general, *market-oriented*, suggesting the convenience for adopting entrepreneurial strategies utilizing market research to implement effective product design, to better address their constituents' needs, and to achieve differential positioning with regards to competitors (Bruce 2005; Morris et al. 2007). The current environment therefore emphasizes the need for outward-, mission-, qualitative-, outcome-, comparative- and learning-oriented evaluation methodologies that belong to the realm of marketing (Rey García 2007 and 2008).

Second, one of the main differences between NPOs and businesses is precisely that nonprofits maintain a higher number of relationships with *multiple-stakeholders* that may be considered of vital importance (Drucker 1990). Among the many constituencies involved in defining organizational performance are boards, volunteers, donors, members, managers, professionals or clients; each one of them with their own standards of effectiveness (Kotler and Andreasen 2007). An effective *market orientation* requires taking into account the needs and expectations of these diverse constituencies, both internal and external (Padanyi and Gainer 2004). Empirical evidence shows evaluation cultures and practices are typical of NPOs that are oriented towards the social environment in general and towards their stakeholders' needs in particular (Ostrower 2004).

Third, nonprofits should view: (1) stakeholders as a means of creating value; (2) the process of dealing with stakeholders as a means of creating value; and (3) the resulting partnerships as a fundamental tool for increasing the nonprofit ability to accomplish its organizational mission (Arnett et al. 2003). These are precisely the principles of *relationship marketing* (Sheth and Parvatiyar 1995). In this context, marketing is both the concept and the function that manages the relationships with those stakeholders, translating a market-oriented culture into market-oriented activities in search for mission accomplishment (Gainer and Padanyi 2005). Nonprofit marketing is defined as the management process of exchanges undertaken by NPOs and aimed at generating a social benefit to a more or less wider group of society (Vázquez et al. 2002).

Once the need for a marketing-based framework for evaluating nonprofit effectiveness has been argued, our proposal will build upon two traditional marketing concepts, i.e. market orientation and relationship marketing; while taking into consideration the specificities of NPOs and the evaluation needs of their practitioners, as outlined in previous sections.

The adoption of the market orientation concept is considered an intangible resource, that supplies the necessary commitment (philosophical perspective) and information (behavioral perspective) for the development of the nonprofit offering; so that the needs of both beneficiaries and donors are satisfied, and organizational mission is effectively accomplished (Vázquez et al. 2002). As a philosophy of integral management, market orientation will require that a NPO is externally oriented towards beneficiaries and donors as well as towards all environmental factors – specific and generic- that may condition its relationship with those groups; particularly competitors, as they represent an alternative of value within the reach of beneficiaries and donors (Álvarez et al. 2002). The outcome of the effective adoption of this philosophy will consist of improved results and organizational mission achievement (Kara et al. 2004; Modi and Mishra 2010). From a behavioral perspective, NPOs trying to become market oriented should undertake a series of activities for their targeted publics, so that they perceive they are receiving a valuable overall offer which satisfies their expectations better than any available alternative. This process is constituted by: (1) the generation of intelligence on the nonprofit market; (2) the internal dissemination of this intelligence; and (3) the development and initiation of responsive actions directed at the effective satisfaction of the targeted groups (Álvarez et al. 2002).

Regarding relationship marketing, the traditional objective of the concept is to establish, maintain and enhance relationships with customers at a profit, so that the objectives of the parties are met (Grönroos 1994). In our proposed framework, relationships are broadly conceptualized relative to the traditional concept, across a twofold dimension. First, relationships with all relevant stakeholders, not only customers, are taken into account. Second, effective relationships with relevant stakeholders translate into improved organizational performance and social impact according to nonprofit's mission and societal values. Consequently, mission accomplishment will be associated to the satisfaction of the needs and expectations of its relevant stakeholders in general, and of its beneficiaries/customers and donors in particular. For the purpose of this paper, stakeholder satisfaction will not be made solely dependent on the traditional quality concept defined as the difference between

expectations and performance; but rather on the value concept, which includes a perceived price or cost perspective on the offering. Perceived value would be therefore defined as the ratio of perceived benefits relative to perceived sacrifice or costs (Monroe 1991). In the context of relationship marketing, the value of a relationship would be enhanced over time by either increasing the benefits and/or reducing the sacrifice over the long-term (Ravald and Grönroos 1996).

If satisfaction can measure the perceived effectiveness of a relationship, satisfaction would lead to further desirable outcomes including *trust* between parties in the relationship, and also *commitment* (Garbarino and Johnson 1999; Abdul-Muhmin 2005); in this case commitment with the mission and values of the nonprofit. Trust is defined as “a set of beliefs about the other party (trustee), which lead one (trustor) to assume that the trustee’s actions will have positive consequences for the trustor’s self” (Bakker et al. 2006). This conceptualization comprises three dimensions: capability, which refers to the trustor’s belief that the trustee has the required expertise, skills, or competences to perform the job effectively; honesty or integrity, or the trustor’s belief that the trustee will keep its promises and adhere to a set of principles that trustor finds acceptable; and benevolence, i.e. the belief that the trustee is interested in the trustor’s welfare. Satisfaction is a key determinant of these three dimensions of trust, because satisfaction, trust and commitment are developed at different and successive stages within a relationship (Geyskens et al. 1996, 1999). We consider that perceptions about satisfaction with the relationship are formed first, i.e. before a second stage where trust is generated. Later in time, commitment would originate, requiring a more general evaluation of the relationship. *Positioning*, as the act of designing the organization’s image and value offer so that the organization’s customers/beneficiaries and stakeholders understand and appreciate (satisfaction) what the organization stands for in relation to its (potential) competitors (Kotler and Andreasen 2007), would reinforce this virtuous circle.

4 A proposal for a marketing-based framework for evaluating nonprofit effectiveness

The proposed framework tries to reach beyond traditional quality and customer satisfaction measurement practices in service-providing organizations, and to utilize the aforementioned marketing concepts and models to their full potential in the field of practitioners’ evaluation of nonprofit effectiveness (Kotler and Andreasen 2007). The main thesis underlying it is that the effectiveness of NPOs, both in terms of performance and impact, ultimately depends on their capacity to become market oriented and to build and effectively manage over the long-term a set of relationships with beneficiaries/customers, donors, partners, internal stakeholders, regulators and other relevant constituencies (be they under the form of other nonprofits, firms, public administrations or population segments). In this way, stakeholders’ expectations are met, satisfaction is obtained, and extensive trustworthiness and trust develop among them, thus leading to commitment, and ultimately allowing for mission-related goals to be accomplished and for societal change to happen. The framework tries to assist nonprofit practitioners in the process of providing answers to the following four basic

questions, each of them relating to one key dimension of effectiveness, and in further development of organization-specific indicators:

- *Is the NPO designing and delivering perceived-value offerings, i.e. offerings that efficiently fulfil or reconfigure the needs and expectations of its customers and other relevant stakeholders in a way coherent to its mission and values?* The answer to this question relates to the SATISFACTION dimension, measuring to which extent relevant stakeholders (i.e. beneficiaries/customers, donors and partners) in the relationship are better-off after the nonprofit has accomplished its mission.
- *Is the NPO designing and delivering offerings which perceived value to customers and other relevant stakeholders exceeds the perceived value of alternative offerings in the marketplace in a way coherent to its mission and values?* The answer to this question relates to the POSITIONING dimension, measuring to which extent the nonprofit organization is clearly perceived as a creator of social value relative to current or potential competitors.
- *Is the NPO developing and sustaining trustworthy relationships with relevant stakeholders over the long-term in a way coherent to its mission and values?* The answer to this question relates to the TRUST dimension, measuring to which extent relevant stakeholders (i.e. beneficiaries/customers, donors and partners) perceive that their relationship with the NPO translates into social value maximization over time.
- *Is the nonprofit organization sharing its mission and values with relevant stakeholders and partnering with them over time in the accomplishment of positive social change in a sustainable way?* The answer to this question relates to the COMMITMENT dimension, measuring the extent to which the nonprofit has influenced the patterns of thought and/or behavior of relevant stakeholders (i.e. beneficiaries/customers, donors, partners) in the direction of its mission, through cooperation and/or by inspiring the development of third-party public benefit initiatives coherent with its mission and societal values, so that social impact is amplified and sustained over time.

Although such a framework may be used in combination with the five practitioner approaches explored in section two of this paper, its focus is clearly on developing and integrating outward-, mission-, qualitative-, long-term, and outcome-oriented indicators; along the four aforementioned dimensions and specifically for each NPO. The proposed framework, outlined in Figure 1, is characterized by the following differential features:

1. **Holistic.** The proposed framework can be applied to any type of NPO, including non-service-providing ones. Offerings therefore may include not only products delivered (goods and services), but also activities, programs or projects designed to influence values and/or behaviors of target publics. It also tries to integrate the three key issues explored by nonprofit evaluation literature: efficiency (perceived benefits and costs are captured through the value concept), effectiveness (extent to which mission-related value is created), and impact (positive social change coherent with mission and values that is promoted and sustained over the long-term).

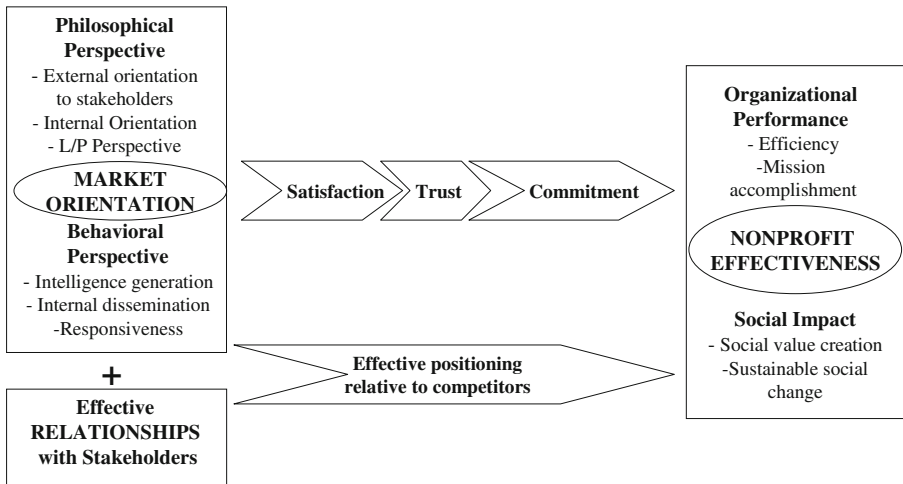


Fig. 1 A marketing-based framework for evaluating nonprofit effectiveness

2. **Dynamic.** Market orientation, positioning and stakeholder relationship management are understood as ongoing processes, so that the effectiveness of relationships can be evaluated over the short-, medium- and long-term. The framework implicitly recognizes the relative modesty of resources available for NPOs to achieve social change, when compared to resources and levers available for the public sector; acknowledging partnerships with other social actors as a reasonable strategy for long-term impact. NPOs would be part of an ecosystem that can be stimulated by the adoption of a catalyzer or convenor role in cooperation with other social actors, in order to achieve a multiplier effect.
3. **Multi-stakeholder.** The proposed framework is multi-stakeholder, however only four key stakeholder groups with the highest potential to influence the effectiveness of the NPO are considered: beneficiaries or customers, donors, partners and (potential) competitors.
4. **Normative or mission-oriented.** The proposed framework recognizes that market orientation in NPOs is mediated by their mission and values, as they frequently try to modify stakeholder needs and expectations, or to anticipate their future design, rather than to fulfill them in their current state.

5 Implications of the proposed framework for practitioners. Conclusions

Evaluation in NPOs has substantially grown over the past decades, as both a professional and multidisciplinary academic field (including relevant Marketing contributions). Furthermore, a certain consensus about the need for evaluating nonprofit effectiveness has developed on the side of practitioners; coupled with a significant repertoire of documented evaluation experiences in NPOs. However, a compounding set of reasons -the lack of a single measure of success, the intangibility of services, the difficulty to define outcome indicators, and the cost of evaluating-turn evaluation into an unresolved issue for most NPOs. In order to further advance a

solution to this problem, an extensive review of evaluation practices has allowed us to propose a typology of evaluation approaches. Our analysis shows that most commonly used evaluation approaches are direct transpositions or slight adaptations of business performance evaluation methods to nonprofit organizations. Many of those are operations-, accounting and control-, or finance-driven; sometimes missing the market- and stakeholder-orientation that is crucial to assess the effectiveness of nonprofit organizations. Marketing concepts are relatively underutilized, except for certain service providing nonprofits and for adapted balanced scorecard and benchmarking approaches. As a result, the specificities of these organizations, which require both full market orientation and effective relationships with multiple-stakeholder to accomplish its public-benefit mission over time, risk being overlooked in the evaluation process.

With the intention of complementing available evaluation approaches used in the field, we have proposed a marketing-based framework for evaluating nonprofit effectiveness, both in terms of organizational performance and social impact. The framework integrates four key dimensions to be evaluated (satisfaction, positioning, trust and commitment) and four groups of key stakeholders, and applies mainstream marketing concepts -market orientation and relationship marketing- to the distinct nature and evaluation needs of NPOs.

The application of such framework in practice will start by evaluating the degree to which the NPO is market-oriented. Measurement scales that have been tested as valid and reliable in this context could be utilized for such purpose (e.g. Vázquez et al. 2002); as this philosophy of management has been proved as a key antecedent of relationship marketing (Sanzo et al. 2003). In a second phase, the satisfaction, trust and commitment of all relevant stakeholders will be evaluated. However, in this case, it will be necessary to previously develop valid and reliable measurement scales, specifically suited for the current nonprofit context. It should be taken into account that the scarce empirical studies that have evaluated any of these concepts in the nonprofit context (e.g. Arnett et al. 2003), utilize measurement scales that were developed for business organizations in the 1980s. Finally, the degree to which organizational mission is accomplished should be estimated, as well as the social impact of NPO's activities. Social impact assessment should include not only traditional organizational efficiency and effectiveness indicators, but also other specific outcome indicators, such as the extent to which NPO's activities are sustainable or how is the organization positioned in society (i.e. reputation or influence on prescribing publics, media or policy makers).

Consequently, the design and implementation of the proposed framework in NPOs will require starting up and consolidating an effective *Marketing Information System* or *M.I.S.* (Kotler and Andreasen 2007). Such M.I.S. will be able to generate the information and knowledge required to evaluate the performance of the organization and the outcomes of its activities, from data generated by a variety of information sources (primary and secondary). Knowledge thus generated will facilitate timely decision making in order to anticipate threats and opportunities, and to correct strategy accordingly. Therefore, marketing, under the proposed framework, enables practitioners on the one hand to design and to maintain satisfactory and trustworthy relationships with relevant stakeholders, building commitment over time; on the other hand to measure and interpret the effectiveness of the process of interaction with the

specific and general environment surrounding the organization, including the expectations and perceptions of relevant stakeholders and its positioning relative to competitors; and always within the normative borders set by NPO's mission and values. The importance of enhancing relationships over time with relevant stakeholders in order to improve performance and impact, and the strong influence of mission-related societal values and stakeholder perceptions upon them, are therefore recognized in the framework.

To conclude, the proposed marketing-based framework may contribute to further advance the implementation of nonprofit effectiveness evaluation by practitioners in two different directions. First, in terms of facilitating measurement of the perceived value obtained by beneficiaries/customers, donors, partners and other relevant stakeholders as the result of nonprofit's performance, so that they may be also compared with competitors'. Secondly, by putting a value to the outcomes of those satisfactory relationships in terms of enhanced trust and commitment, ultimately leading to long-term impact, i.e. positive influence over societal values and behaviors and scalability of innovative solutions. In short, and in comparison with alternative approaches, the proposed framework tries to go beyond occasional analysis of specific result indicators, and translates in practice into the implementation of a CRM (*Customer Relationship Marketing*) model, supporting efficient and sustainable management of the NPO.

Finally, further development of the framework is suggested, mainly consisting on the design of a *M.I.S.* that allows for its implementation in daily operations. More specifically, primary and secondary sources of data necessary to evaluate the different dimensions of effectiveness should be identified. Once information sources have been identified, measurement scales and indicators utilized to evaluate each of the key concepts in the framework will be selected and/or developed. Thirdly, the framework should be validated by a sample of nonprofit management experts, in general, and also nonprofit evaluation experts, in particular. The last suggestion for further research consists of pre-testing the framework among a representative sample of NPOs, in order to identify and to correct possible dissonances between planned for and real operations. Once the framework has succeeded through all these development stages, it should be disseminated through specialized media and included in databases of effectiveness evaluation methods and tools, so that NPOs can take advantage of it.

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