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# Factors Characterizing the Most Effective Nonprofits Managed by Volunteers

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*This article reports on an empirical study of thirty-nine volunteer-managed nonprofit organizations (voluntary associations, not paid staff nonprofits) in a small suburb of Boston. Reputation for effectiveness in achieving goals has been found to be significantly associated with nonprofit nature, governance, and formalization. Many hypotheses suggested by others for nonprofit organizations with paid staff do not seem to transfer to volunteer nonprofit groups. Practitioners can utilize the present findings to improve volunteer nonprofits.*

**N**ONPROFITS are not necessarily effective at what they do, however long they have done it. The ability to attract resources, including money and members, does not guarantee organizational effectiveness because such resource attraction may be based on incorrect images of the organizations—especially nonprofit organizations (NPOs) managed by volunteers, on which available information may be incomplete or inaccurate. For instance, a volunteer self-help group that we studied had very high turnover of members seeking but not finding help with their problems. Yet, the group continued over many years, as newcomers attracted by publicity knew little or nothing of its track record with prior participants. This article examines the question of what factors are related to the effectiveness of volunteer-managed NPOs (VNPOs).

Although organizational effectiveness is difficult to study (see Cameron and Whetten, 1983; Goodman, Pennings, and Associates, 1977), even more challenges are presented by the great diversity and

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often semiformal nature of NPOs. For example, the presence of volunteers, the varieties of goals, most of which are nonmonetary, and the lack of good accounts and records in smaller NPOs create problems not found in many business and government complex organizations (Tuckman and Chang, 1991). VNPOs such as local voluntary associations are still more difficult to study because they are more subject to the foregoing factors and tend to be intermittent in activity, some scarcely lasting between meetings.

The paucity of NPO effectiveness studies contrasts with the amount of advice published on how to establish and maintain an effective NPO (for example, Bryson, 1988; Connors, 1988; Herman and Associates, 1994; Herman and Heimovics, 1991; Houle, 1989; Knauft, Berger, and Gray, 1991). But in recent years important studies bearing on NPO effectiveness have appeared in the literature (Bradshaw, Murray, and Wolpin, 1992; Herman and Tulipana, 1985; Herman, Weaver, and Heimovics, 1991; Widmer, 1991). Herman (1990) and Knauft, Berger, and Gray (1991) are drawn on here as we focus on reputational effectiveness as one of several possible measures of NPO effectiveness.

Drawing on what seem to be widely accepted generalizations about what makes for effective NPOs, many implicit hypotheses in the study reported here come from Herman and Heimovics (1991), Knauft, Berger, and Gray (1991), and Connors (1988), particularly hypotheses about boards of directors, staff leadership, and committees—all aspects of the governance of NPOs. Hypotheses on purpose (public benefit versus member benefit) are derived from Smith (1993), on resource inputs from Herman and Heimovics (1991, p. 138), and on formalization from Smith (1992).

This study of NPOs in a small suburb provided an opportunity to test whether generalizations derived from paid staff nonprofit organizations (PSNPOs; Smith, 1981) apply as well to VNPOs, especially small associations. The argument has been made (Smith, 1994) that many authors who refer to NPOs generally seem to have in mind and to have studied only PSNPOs (Coston, Cooper, and Sundeen, 1993). For instance, Drucker (1990, p. 7) observed that "the majority of American nonprofits have the same governance structure. They have an unpaid, outside, part-time board. And they have a paid full-time executive officer." That characterization is true generally for PSNPOs but not for VNPOs, since 7.5 million grass-roots VNPOs far outnumber the million or less PSNPOs Drucker had in mind (Smith, 1994). In the present study, only 54 percent of the VNPOs even had boards of directors, and none had a paid full-time executive officer, which is probably representative of millions of other VNPOs.

Given very limited resources, our study used reputational effectiveness as a dependent variable. Some researchers take exception to the use of NPO reputation as a measure of effectiveness. Yet reputational measures continue to be used and found useful, often in conjunction with other measures (for example, Herman, Weaver, and

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Heimovics, 1991; Taylor, Chait, and Holland, 1991). Herman (1990) made a case for NPO reputation as one important kind of measure of NPO effectiveness. More recently, Herman (1992, p. 413) reiterated this position: "A reputation for effectiveness is an important resource for most nonprofit organizations and thus a useful, if limited, indicator [of effectiveness]." The reputational approach is admittedly imperfect, but nonetheless important.

## Methods

The principal method used in this study was self-administered questionnaires, supplemented by nonrespondent interviews. The study was conducted on VNPO leaders in a small, largely middle-class suburb (ten thousand to twenty thousand people) of Boston. The suburb had been studied before (Smith, 1992, 1993), resulting in a listing of 198 local NPOs. A NPO was defined as a group (Smith, 1967) with a nondistribution constraint (Hansmann, 1980), autonomous of government (Salamon, 1992), reasonably autonomous of other groups (Smith, 1994), and not based mainly on kinship or marriage (Smith, 1991). Legal incorporation, let alone Internal Revenue Service registration as 501(c)(3) or (4), was unnecessary for inclusion, since these are legal and administrative distinctions, not reasonable aspects of analytical social science definition. They are important distinctions, but far too limiting when studying VNPOs. Semiformal groups (Smith, 1992) as well as more formal organizations were allowed into the sample for inclusiveness. After adjustments to the sample to focus on still-living VNPOs of people mainly at least of high school age (viewing pre-high school VNPOs as essentially adult-dominated, not controlled by their members), the sampling frame had 134 VNPOs with a plurality of members living in the community.

All of the organizations in the sampling universe for the town were sent a self-administered questionnaire in May 1992 (with two follow-up letters). The questionnaire, with 101 substantive items, was usually filled out by the president or chair of the group. After mail-back response seemed exhausted, seven interviews were performed using exactly the same questionnaire as was self-administered to the others. The basic reason for the seven additional interviews was that we wanted more of the highly effective (top rated) groups to make sure that the high end of the effectiveness continuum was well represented in the final sample to be analyzed. The seven additional organizations were chosen as among the top fifteen VNPOs in town in effectiveness nominations. Thus, eight of the top fifteen in effectiveness returned self-administered questionnaires and the other seven were interviewed. In the end, there were thirty-two self-administered questionnaires and seven interviews, for a total of thirty-nine protocols in usable form (about 29 percent of the sampling universe).

The sample of thirty-nine VNPOs is small by standards of sample size for studying individuals. However, samples of organizations in important studies are often about this size, since organization leaders are usually harder to interview than randomly selected individuals (for example, Gamson, 1990 [N = 53]; Herman and Heimovics, 1989 [N = 59]; Smith, 1993 [N = 59]). The response rate in our study is fairly typical in mail surveys of NPOs (for example, the rate was 35 percent in the related survey of NPOs by Bradshaw, Murray, and Wolpin, 1992).

The effectiveness referred to above is a measure of reputational effectiveness derived from effectiveness nominations in both the 1990 and the 1992 studies of VNPOs in the town. In the 1990 study, a separate one-page questionnaire was sent out by mail to the list of voluntary organizations in town and thirty-five usable returns were received after one follow-up. This questionnaire asked for nominations of the most effective voluntary organizations in town. The same question was included in the 1992 questionnaire: "Which [town name] volunteer or nonprofit groups are most effective overall in achieving their goals recently?" By combining the results of both reputational studies, a more reliable estimate of effectiveness was attained. Since the time interval was only two years, the combination of the two sets of ratings was considered justified. Because the rank order of the groups' combined reputational ratings in the second, current study changed slightly as the last few interviews were done (each one including new nominations), these ratings were monitored almost daily to assess which were the top fifteen groups in reputational effectiveness. Higher effectiveness rating nonrespondent groups were interviewed first, then lower-rating groups. Overall, the reputational effectiveness rating was deemed to have face validity because the raters were all similar VNPO leaders in the same town who had every reason to know something about the effectiveness of at least some of the other VNPOs in town.

The net result of the foregoing was a *dependent variable of reputational effectiveness*. This variable was calculated by summing all the peer nominations received from leaders of other responding VNPOs (self-nominations were omitted). These total peer nomination scores actually ranged from 0 to 29 on a scale that could theoretically range from 0 to 74. Thus, the top-rated VNPO received 39.2 percent of the ultimate possible score (if all raters had nominated it), a very high score indeed. Most VNPOs were "invisible" and received zero nominations; the median was 1 nomination and the mean was 4.5.

Different forms of the dependent variable were tested against predictor variables, to see which one was most appropriate. For the main bivariate analysis, *t*-tests were performed (separate variance method) on the means of two sets of VNPOs, high (4 or more nominations) and low (0-3 nominations) in rated effectiveness, using a variety of essentially structural dichotomized independent variables. Correlations not reviewed here show the same overall pattern of

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results with continuous versions of the variables, but they are somewhat weaker in statistical significance. In a multiple-correlation analysis presented later in this article, a continuous version of the dependent variable and a trichotomy are used alternatively; the latter show the strongest results with predictors.

## Analysis

*How significant were our results regarding reputational effectiveness of VNPOs?* The analysis examined how reputational effectiveness is affected by many factors, including the nature of the group, its governance, and its degree of formalization. Because the study has a small sample and is exploratory, a two-tailed *t*-test with a chance probability of at most  $p = .10$  was the criterion of statistical significance. Overall, the results are far above chance expectations. Every result reported here is statistically significant at or below the .10 probability level, unless otherwise noted in a few cases. The large majority of significant relationships (78 percent) in this analysis are significant at the .05 level or better. The findings between  $p = .05$  and  $p = .10$  are spread rather evenly among the different segments of the study, such that the pattern of results reported here would not change if the stricter significance criterion were used.

### Validity of Dependent Variable

*How does reputational effectiveness relate to other effectiveness measures available?* As summarized in Table 1, the effectiveness nominations were significantly related to six out of eight other effectiveness measures derived from the interviews with group leaders: a coder rating of how many of its significant goals the group had achieved, the leader's perception that clients or users were more satisfied, the leader's perception that the group had a higher reputation in the local community, the leader's perception that the group had more legitimacy in the eyes of the community, the leader's ability to name more effective nonprofit groups in the community, and the leader's ability to name more effective nonprofit leaders in the community. Leaders' perceptions of their own members' satisfaction and leaders' ratings of their own organizational effectiveness were thus not significantly associated with effectiveness nominations. The latter is interesting in implying that one cannot rely on a simple *self-rating* of organizational effectiveness by VNPO leaders, since it has no particular relationship to peer effectiveness ratings, which are probably more objective. Clearly, the present dependent variable of reputational effectiveness is significantly related to many other available measures of effectiveness (though not all), giving it solid construct validity within this study.

### Nature of the Group

*Does the nature of a group affect its reputational effectiveness?* The nature of the group was found to significantly affect reputational

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Table 1. Other Effectiveness Measures Related to Reputational Effectiveness

Other Effectiveness Measures	t
Leader perception of more of group's goals achieved	3.23 <sup>c</sup>
Leader perception of higher client satisfaction	2.09 <sup>a</sup>
Leader perception of group's community reputation	3.05 <sup>c</sup>
Leader perception of community legitimacy	3.46 <sup>d</sup>
Leader ability to name community nonprofits	4.12 <sup>d</sup>
Leader ability to name community nonprofit leaders	2.25 <sup>b</sup>

<sup>a</sup> $p < .10$

<sup>b</sup> $p < .05$

<sup>c</sup> $p < .01$

<sup>d</sup> $p < .001$

effectiveness on a number of measures, as outlined in Table 2. An important characteristic of NPOs is whether the organization is mainly focused on supplying benefits to outsiders or the public or mainly focused on benefits to members, with mixed types possible (Smith, 1993). We found significantly more reputational effectiveness among public benefit or mixed organizations than among member benefit groups. Similarly, groups with outside clients or users showed significantly more reputational effectiveness. Groups nominated as more effective also had significantly greater numbers of clients or users. Whether or not public benefit and client-serving organizations are in fact more effective than member benefit organizations, there is a very clear tendency for other VNPO leaders to see such organizations as more effective. Part of this effect might be due to the greater visibility of public benefit organizations and to the greater respect for their public service character. An anonymous reviewer suggested that this finding might be interpreted as indicating that the "prominence of the product" is one key to NPO reputation. We think there may also be a kind of "effective charity stereotype" at work, such that groups trying to do "good" are given the benefit of the doubt of being good at what they do, to some extent. This issue needs to be explored in future research.

Smith (1981, p. 28) distinguished PSNPOs from volunteer organizations according to who does the majority of the organizational work. The present sample contains *only* essentially volunteer-run groups. However, even these may have some paid staff part-time. There might be more respect for the more professionalized groups with more paid part-time staff. The results contradict this notion, with no significant association of number of part-time staff working eight or more hours per week with the dependent variable.

Size and age of the organization have also been viewed as determinants of effectiveness. Herman and Heimovics (1991, p. 26), for instance, viewed "inputs" as important to understanding effective NPOs. One such input is number of members, another is number of

Table 2. Aspects of Group Nature as Determinants of Reputational Effectiveness

<i>Aspects of Group Nature</i>	<i>t</i>
Public or mixed (versus member) benefit	2.68 <sup>b</sup>
Outside clients or users	3.96 <sup>d</sup>
More clients or users	2.44 <sup>b</sup>
Older nonprofit	1.90 <sup>a</sup>
More revenues in past year	3.18 <sup>c</sup>
More revenues five years earlier	2.33 <sup>b</sup>

<sup>a</sup>*p* < .10

<sup>b</sup>*p* < .05

<sup>c</sup>*p* < .01

<sup>d</sup>*p* < .001

clients. In our data, membership size has no significant association, but number of clients or users as a measure of size is significantly associated, as noted above. This finding is noteworthy because it shows that effectiveness reputation is not simply a function of group membership size—the bigger the better. There is, however, a sense in which the bigger the *user pool*, the better the organization is rated by other leaders. In this sense, VNPO constituency size is important to perceived effectiveness. This finding relates to our earlier finding that public benefit VNPOs tended to be more effective.

Age of organization also played out according to expectations (Herman, Weaver, and Heimovics, 1991): Older organizations in our sample tended to receive significantly higher effectiveness ratings on average. Part of this is simple familiarity—voluntary groups that had been around longer were more likely to have come to the favorable attention of other leaders in town. But there is probably more than this. Greater age also gives a voluntary group more time to accomplish something. Effectiveness ratings may in part have come from particular “effective events” (for example, buying something for the town) rather than a total stream of such events. Such an effective event is more likely to occur, other things being equal, the longer a group has been in operation. Also, time is needed to get any group going, so it may be a few years before even the best NPO, especially a VNPO, can really be effective. In accord with this interpretation, the very young VNPOs in our sample (28 percent of those responding were five years old or less) were viewed as less effective.

Along the same lines (what may be called “resource dependence theory”), one may expect the more effective groups in terms of ratings to be able to attract more money. This also turned out to be the case in our study, both for revenues in the past year and for revenues five years earlier. The causality may go either way and needs to be examined in future research: Either groups with more money can use it better to accomplish things (conventional resource dependence theory), or, quite the reverse, groups that are able to accomplish

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things better are able to attract more donors, members, clients, and hence money (effectiveness resources theory), or both, in a repeating cycle that feeds VNPO growth.

Interesting nonsignificant findings in our study include the unimportance of organizational autonomy (lack of linkages or affiliations with other groups) and the unimportance of the amount of activity by organization members (hours per month spent by members or volunteers and percentage of members active or very active in the group). Selle and Øymyr (1992), studying Norwegian voluntary organizations, found groups with linkages (affiliations) to other groups were more likely to survive over a period of several years. Amount of member activity has been little studied, partly because it is an important variable mainly for VNPOs, not PSNPOs. But theory suggests that voluntary groups who better mobilize their memberships are more likely to be effective. However, as we discuss later in reporting our findings on the importance of many committees, it is the amount of volunteer *staff time*, not sheer member time, that matters for VNPO reputational effectiveness.

#### Governance: Officers

*Does the presence of standard officers enhance reputational effectiveness?* In highly formalized NPOs, like most PSNPOs, the presence of standard officers of the organization tends to be taken for granted. In the smaller and often more informal groups that we studied, the matter is by no means a foregone conclusion. In the present data, reputational effectiveness was significantly greater when the organization had a president, vice president, treasurer, and secretary (see Table 3). There is something about the presence of standard officers in VNPOs, particularly small associations, that makes them more likely to be rated as effective by other leaders. This finding is related to Gamson's (1990, p. 94) finding that more effective social movement groups over 145 years of American history were more centralized (though he defined centralization differently). The standard officers may provide a VNPO with the necessary centralization to be more effective. Such officers may also give the image to outsiders of a well-run organization, true or not. And, further, having the standard four top officers may provide a critical mass of leadership to get things done and to become known as effective in the community. The presence of officers other than these four, we must note, was not important for effectiveness in our data. Nor was it important to have an executive director. Executive director roles, so familiar in PSNPOs whatever the officer is called, do not seem to work consistently well in VNPOs—other dynamics of resource mobilization and leadership are at work in effective VNPOs.

#### Governance: Board of Directors

*Is a board of directors important for reputational effectiveness?* Another element of the governance of NPOs is the board of directors and its

Table 3. Aspects of Governance as Determinants of Reputational Effectiveness

Aspects of Governance	t
<i>Officers</i>	
President	3.06 <sup>c</sup>
Vice president	2.55 <sup>b</sup>
Treasurer	3.67 <sup>d</sup>
Secretary	3.60 <sup>d</sup>
<i>Board of Directors</i>	
Has board of directors	1.70 <sup>a</sup>
Has more board members	1.97 <sup>a</sup>
Board members know by-laws	2.37 <sup>b</sup>
Good attendance at board meetings	2.05 <sup>b</sup>
Board members chosen for outside relationships	1.77 <sup>a</sup>
<i>Committees</i>	
Presence of committees	3.60 <sup>d</sup>
More committees	3.46 <sup>c</sup>
More active members of committees	5.18 <sup>d</sup>
More committee members	4.32 <sup>d</sup>
Has nominating committee	2.23 <sup>b</sup>
More careful selection of committee chairs	2.09 <sup>a</sup>

<sup>a</sup> $p < .10$

<sup>b</sup> $p < .05$

<sup>c</sup> $p < .01$

<sup>d</sup> $p < .001$

activities. Approximately 54 percent of our VNPOs had boards. Consistent with Knauft, Berger, and Gray (1991) and Widmer (1991), our data (Table 3) show that VNPOs with boards of directors were rated significantly higher in effectiveness. The *number* of board members shows even more significance, with significantly more reputational effectiveness associated with having more board members. In our sample, the larger boards mainly refer to groups with boards in the size range of three to nine members, only 15 percent of the groups having boards in the (maximum reported) range of ten to twenty-seven. In these VNPOs, the boards, especially the larger boards, seemed to provide a means of involving more people in the governance of the groups and in the accomplishment of their central tasks, leading to greater effectiveness.

Although having a board of directors was associated with greater effectiveness, having an executive committee was not, nor was size of the executive committee. Apparently, board governance is better for VNPO effectiveness the more that members are broadly involved. Narrowing power to an executive committee of the board may work against that broader involvement for these small boards; it did not help effectiveness in our sample. This may be contrary to findings for PSNPOs.

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*In VNPOs the staff power is much less centralized so that the behavior of the top executive is correspondingly less important*

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Several aspects of the process of board governance, based on Knauft, Berger, and Gray (1991, pp. 134–140), were tested for significance. The most general conclusion is that many board governance hypotheses that may apply to PSNPOs do not seem to apply to VNPOs (Exhibit 1). Of fifteen factors tested, based on questions to the group leaders, only four reached statistical significance (Table 3): Board members knowing the by-laws and good attendance at board meetings, factors that seem most basic to board performance, showed the strongest relationships. If the board members do not care enough to know the group's basic rules of operation or do not care enough to come to board meetings, or both, group effectiveness is significantly hampered. Also significant, but less so, were board members being chosen to relate to outsiders and the board reaching conclusions readily and then following through on them. Most of the aspects of board functioning that we examined seem to make no difference in achieving VNPO rated effectiveness, including such factors as staggered board terms, formal orientation for new board members, detailed agenda for meeting circulated in advance, member activity in fundraising, member activity in recruiting, selection for fundraising abilities, doing strategic planning, and showing organizational commitment.

#### **Governance: Staff Leadership**

*How important is top staff leadership for reputational effectiveness?* Staff leadership, even in volunteer-run groups, can potentially be as important as or even more important than leadership by the board of directors. We studied eleven different factors cited by Herman and Heimovics (1991, pp. 67–89) and Knauft, Berger, and Gray (1991, pp. 127–133). All items were responded to from the standpoint of the VNPO leaders. *None* transferred from PSNPOs to VNPOs; *none* was significantly associated with reputational effectiveness (Exhibit 1). Thus, *unimportant* were such factors as the leader having his or her own special agenda, integrating others' ideas into decisions, spending time on external relations, spending time developing a network, developing a powerful board, working on public opinion, communicating a vision of the organization to others, and taking a stand on issues. In sum, based on our findings, what some PSNPO experts suggest are major factors in effective management by top staff leaders do not seem to work very well for VNPOs. Part of the problem may be that in VNPOs the staff power is much less centralized so that the behavior of the top executive is correspondingly less important. There are more leadership default mechanisms (fallbacks) in VNPOs. Perhaps some measures of the performance of all four top officers, if present, would be more to the point (though not measured in our study). More broadly, VNPO effectiveness may be affected as strongly by the behavior of the chairs of (at least major) committees as by key staff (also not measured in our study).

### Exhibit 1. Select Hypotheses Not Confirmed by the Data

#### *Nature of Group*

- Greater number of members
- Less organizational autonomy (more affiliations with other groups)
- More activity by members
- Executive Director present
- Executive Committee of Board present

#### *Board Governance*

- Staggered board terms
- Formal orientation for new board members
- Detailed agenda circulated in advance of meetings
- Keep to established meeting length
- Active in fundraising
- Active in recruiting
- Selected for fundraising ability
- Do strategic planning
- Show organizational commitment

#### *Staff Leadership*

- Leader has own special agenda
- Leader integrates others' ideas into own decisions
- Leader spends time on external relations
- Leader spends time on developing a network
- Leader develops a powerful board
- Leader works on public opinion
- Leader communicates a vision of the organization to others
- Leader takes a stand on issue

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Note: The hypotheses frame is "More effectiveness where \_\_\_\_\_."

### Governance: Committees

*How important are committees for reputational effectiveness?* Committees are not usually seen by NPO scholars as important, certainly not very important relative to the other aspects of governance discussed above. This relative neglect of committees comes, we believe, from the central focus on PSNPOs and relative neglect of VNPOs. Committees are arguably far more important in VNPOs than in PSNPOs, since they involve VNPO members actively in the governance and operations of the group, often in ways in which paid staff would be involved in PSNPOs. We investigated both structure and process of committees in the present study, based largely on Connors's (1988) but also partly on our own hypotheses (Table 3). Foremost, we found that the presence of committees and greater numbers of committees were associated significantly with greater reputational effectiveness. A little over half of our groups reported one or more committees, with a median of five committees if they had any (maximum number of reported committees was eighteen).

Even more strongly related to reputational effectiveness were two measures of *committee activity*. Effectiveness was rated much higher

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*Greater  
reputational  
effectiveness was  
significantly  
related to having  
a more formal  
mission  
statement  
regularly created  
by the board*

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in those VNPOs reporting more active committee members and those reporting greater numbers of committee members. The median total number of committee members reported was twenty, ranging up to ninety-eight or more. The stronger relationships here than for the preceding two structural items show that it is the mobilization of volunteer members as unpaid staff that is the key element of committees in VNPOs. This is the broadest way in which VNPO members can become involved as staff in this kind of NPO. Member attendance at regular meetings or other general events is not really staff involvement. Work on committees is usually staff involvement. To give as little attention to committees in VNPOs as they receive in the study of PSNPOs is to miss a crucial part of VNPO staff involvement.

Two other aspects of committees were also significant: Reputational effectiveness is significantly greater when organizations have a nominating committee for officers and board members. Also, greater rated effectiveness was associated significantly with a more careful selection of committee chairs. Thus, greater care in selection of volunteer leaders and committee or staff members through the use of a nominating committee functioning as staff leads to greater effectiveness ratings. Only one of seven committee-related items examined failed to be statistically significant: who decides on the task of the committees—board and officers versus committee members. The former answer would probably be given for PSNPOs by experts, but the latter approach can release valuable creative energy in more decentralized groups such as VNPOs.

### Formalization

*Does greater formalization enhance reputational effectiveness?* As expected, more formalized organizations tended to have better effectiveness reputations on six of nine items tested (Table 4) (see Gamson, 1990, p. 92, for this kind of result observed in social movement organizations). Formalization here is interpreted narrowly and is not the same as better overall organization. Several of the types of formalization suggested by Smith (1992) showed significant *t*-tests: presence of by-laws, presence of a formal membership list, leader says the organization is not informal, leader says group has tax exemption, and independent tax exemption, not through some affiliate. There is also evidence to confirm the notion of Knauft, Berger, and Gray (1991, p. 120) that effectiveness will be greater where there is a formal mission statement: Greater reputational effectiveness in our study was significantly related to having a more formal mission statement regularly created by the board. Unimportant were three other measures of formalization: presence of a constitution or charter (less than 25 percent of our sample VNPOs), use of membership cards (about 15 percent of the sample but near statistical significance,  $p = .15$ ), and the fact that sheer participation constitutes membership (that is, lack of any real membership criterion other than involvement). Note that the foregoing significant findings deal only with

**Table 4. Formalization Measures as Determinants of Reputational Effectiveness**

<i>Aspects of Formalization</i>	t
Presence of by-laws	3.95 <sup>d</sup>
Presence of formal membership list	3.95 <sup>d</sup>
Leader says group not mainly informal	2.84 <sup>c</sup>
Leader says group has tax exemption	2.38 <sup>b</sup>
Not tax-exempt through affiliate	1.97 <sup>a</sup>
Has formal updated mission statement	3.46 <sup>c</sup>

<sup>a</sup> $p < .10$

<sup>b</sup> $p < .05$

<sup>c</sup> $p < .01$

<sup>d</sup> $p < .001$

superficial indicators of organizational efficiency, not with the details of such efficiency (dealt with earlier in the analysis, particularly with respect to governance).

All in all, greater formalization was clearly useful in garnering better effectiveness ratings from other VNPO leaders in the small suburb studied. It seems reasonable to conclude that more formalized VNPOs tend to be more effective in samples such as ours where there is great *variation in formalization*. In a sample of only PSNPOs, formalization may make little difference in reputational effectiveness, since all or most would be highly formalized, attenuating the present result for VNPOs. The better-organized VNPOs at least got more favorable notice in the small town of our study.

### Combined Explanatory Power of Results

*What do all these statistically significant predictors add up to?* Having found many individual variables to be statistically significant predictors of VNPO reputational effectiveness, we next examined their combined power in explaining the dependent variable. A multiple-regression equation was computed on the continuous version of the dependent variable using the strongest seven bivariate predictors. We kept the number of predictors small because of the small sample to avoid capitalizing unduly on chance. Mean substitution was used for missing data, which were rare. The resulting equation accounted for a substantial amount of the variance in effectiveness, with the overall equation being statistically significant (Table 5). In descending order of strength, the three strongest standardized regression coefficients occurred for the following predictors: having by-laws available (a formalization measure), having many active committee members (a committee structure and mobilization and volunteer staffing measure), and having a regularly revised, board-created, formal mission statement (a formalization and also board governance measure).

Table 5. Ordinary Least Squares Multiple-Regression Analyses of Reputational Effectiveness

Strongest Predictors/ Summary Values	Beta Weights for Continuous Dependent Variable	Beta Weights for Trichotomous Dependent Variable
By-laws available	.289	.217
Active committee members	.281	.526
Formal mission statement	.212	.331
Multiple R	.6101	.7977
Multiple R <sup>2</sup>	.372	.636
Statistical significance ( <i>p</i> )	.03	.001

Note: *N* = 39; beta weights for the trichotomous dependent variable cutting the distribution at zero nominations versus one to five versus six or more.

**The most general positive conclusion of this study is that VNPO governance significantly affects reputational effectiveness**

Because of a problem with the meaningfulness of the upper end of the effectiveness ratings, a collapsed version of the dependent variable was used and showed a much stronger relationship still (Table 5), accounting for nearly two-thirds of the variance in effectiveness ratings. Thus, we conclude that, in spite of relatively few degrees of statistical freedom, several of our independent variables can explain a very substantial amount of the variance in our primary dependent variable, reputational effectiveness rating. Further, the form of the dependent variable of effectiveness had a major impact on the variance explained ( $R^2$ ). Usually, continuous variables show stronger relationships in regression equations than do their coarsely grouped versions, but here a coarsely grouped version did much better (27 percent more of the variance). Basically, high numbers of peer ratings seemed to exaggerate apparent effectiveness, confounding local fame with effectiveness perceptions by VNPO leaders.

## Conclusion

With a relatively small sample of groups ( $N = 39$ ), this study identified a wealth of statistically significant relationships between structural characteristics of VNPOs and their effectiveness. The dependent variable in this study was peer ratings of effectiveness (reputational effectiveness) of VNPOs in a small suburb. These ratings seem to have significant construct validity because they correlate significantly with many other interview-derived measures of effectiveness.

Some sixty-six hypotheses were tested in this study regarding how VNPO nature, governance, and formalization affect the reputational effectiveness of VNPOs, and twenty-seven were found to be statistically significant relationships. The most general positive conclusion of this study is that VNPO governance significantly affects reputational effectiveness, as hypothesized, with fifteen of forty-three governance hypotheses statistically significant at the .10 level of probability or below (when only four would be expected by chance).

Many of these hypotheses were derived from Knauff, Berger, and Gray (1991) and Herman and Heimovics (1991). The most general negative conclusion of the study is that many hypotheses or relationships about governance or management that seem to hold for PSNPOs in prior studies do not hold for VNPOs in the present study.

While 66 percent of the formalization hypotheses drawn from Smith (1992), 66 percent of our officer hypotheses, and 86 percent of Connors's (1988) and our committee hypotheses are significant, only four of fifteen board member hypotheses drawn from Knauff, Berger, and Gray (1991, pp. 134–140) and none of the eleven leadership hypotheses drawn from Herman and Heimovics (1991, pp. 67–89) and from Knauff, Berger, and Gray (1991, pp. 127–133) are statistically significant. In the area of NPO nature, 50 percent of our hypotheses and those of Herman, Weaver, and Heimovics (1991) are significant. For the latter hypotheses, the focus is more on alternative effectiveness measures than on determinants of effectiveness.

The small sample may account for some of these findings, but the extent and loci of nonsignificance of many relationships suggest that more than the limitations of a small sample are at work. The  $p < .10$  significance criterion, in any event, deals with the small sample problem to some extent. In several substantive areas noted above, the majority of the predicted relationships examined are statistically significant, suggesting that our areas of negative findings reflect substance, not sample size.

Many prior generalizations about NPOs are really generalizations about PSNPOs. One implication of our findings is that scholars who speak of NPOs should more clearly specify their references—PSNPOs, VNPOs, or both—and the data bases that support their generalizations. Usually, VNPOs are ignored, a part of the more general tendency of nonprofit scholars to ignore membership organizations and associations, especially grass-roots associations (see O'Neill, 1994; Smith, 1991, 1994). A nonprofit museum or hospital is very different from a Boy Scout troop or a Sierra Club chapter, all NPOs.

Another implication of our results is that there is an urgent need for comparative studies of PSNPOs and VNPOs—both in terms of effectiveness and in terms of structure and operation. At present, different scholars study the two different populations of NPOs on the whole. Few scholars study the whole range of NPOs, from small VNPOs to very large PSNPOs. This is like researchers who study deciduous trees not relating to researchers who study evergreen trees. The present study is guilty of the same limitation, of course, with only a VNPO sample.

A third implication is the need to compare the present results with similar results using other measures of effectiveness (see Smith and Shen, 1995). Different measures of effectiveness for VNPOs from those used here may show different relationships with independent variables such as formalization, nature, and governance measured in various ways.

Another general conclusion, on the positive side, is that many variables identified and measured in this study ( $N = 35$ ) show a significant ( $p < .10$ ) and meaningful relationship with reputational effectiveness in the present sample of VNPOs. Put another way, leaders of VNPOs can probably raise their groups' effectiveness by attending to factors such as the following:

*Be at least partly public benefit in purpose* (versus only membership benefit-oriented) and serve at least some part of the public in activities.

*Build up the organizational base of time and inputs* (for example, survive to become older, have larger revenues, and have more clients or users; but sheer membership size is unimportant, as are autonomy and total activity level).

*Be more formalized (versus informalized) in structure and operations* (for example, have a formal membership list, have by-laws, have a regularly updated board-developed formal mission statement, have tax exemption, and do not mainly operate informally).

*Include more standard officers in governance structure* (for example, president, vice president, treasurer, and secretary, but not necessarily executive director).

*Have a (more developed) board of directors* (for example, have a board, more board members, greater board attendance, and a board familiar with by-laws, but not necessarily an executive committee).

*Have a (more developed) committee structure* (for example, more committees, more committee members, more active committee members, a nominating committee for officers and board, and careful selection of committee chairs).

In sum, VNPOs with higher reputational effectiveness seem to be better resourced (at least partially) public benefit organizations that are more developed in terms of a number of measures, especially formalization and various aspects of governance (officers, board, and committees). Our results confirm ideas and findings of Bradshaw, Murray, and Wolpin (1992), Connors (1988), Gamson (1990), Herman and Heimovics (1991), Herman, Weaver, and Heimovics (1991), Knauff, Berger, and Gray (1991), Smith (1981, 1992, 1993, 1994), and Widmer (1991).

Finally, by combining different independent variables we have been able to explain reputational effectiveness, our dependent variable, very well indeed. This is seen by the substantial variance explained (37 to 64 percent, depending on the statistical form of the dependent variable) and the two or three statistically significant predictors in the multiple-regression equations. Multiple types of variables are needed to explain reputational effectiveness in VNPOs as perceived by other local VNPO leaders. Working on the factors identified here should help a great deal in raising VNPO perceived effectiveness, and quite possibly objective effectiveness as well. Just focusing on the three significant measures in the first multiple-

regression equation will go a long way in explaining reputational effectiveness. By-laws, a regularly updated and board-prepared mission statement, and many active committees seem especially crucial to reputational effectiveness in VNPOs.

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