THE ACCOUNTABILITY OF NONPROFIT EXECUTIVE DIRECTORS:
THE PERFORMANCE APPRAISAL PROCESS

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THE ACCOUNTABILITY OF NONPROFIT EXECUTIVE DIRECTORS:
THE PERFORMANCE APPRAISAL PROCESS

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Dissertation

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ABSTRACT

Accountability has become a key issue in nonprofit literature—but public trust in nonprofits continues to decline. This study comprises a survey of nonprofit organizations in Summit County, Ohio to construct an exploratory and descriptive analysis of the practice and theory of appraising the performance of the executive director seeking to link the performance appraisal of executive directors to the accountability of organizations. The intent of this study is to examine the procedures and policies used to evaluate the performance of nonprofit executive directors. In addition, this study examines literature salient to the issues of nonprofit governance and administration, accountability, and performance appraisal, within a theoretical framework of decision making.

Boards of directors have access to more information than ever before regarding how to function as a governing body, and how to learn, develop, and grow as individuals responsible for overseeing organizations. Yet little encourages board members to delve deeper into their organizations, instead they are often discouraged from micromanaging. This study seeks to discover just how intensely boards are examining the source of their information—the executive director. The research question is: Is a performance appraisal conducted, and what factors contribute to that phenomenon? Suggestions for areas of improvement are also addressed.

One hundred and fourteen responses were obtained using a survey designed specifically for this project. Results showed significant relationships between concrete
factors such as the size of the organization and the existence of standardized performance appraisal procedures and whether an appraisal is conducted. Variables representing perceptions and beliefs also demonstrated relationships suggesting factors that influence whether a performance appraisal is conducted.
DEDICATION

This dissertation is the culmination of many years of thought and pondering. I could never have completed such an undertaking without the support of my wonderful family and friends.

To my mother Susan, my sister Sandee, my dearest friend v, and the most wonderful little girl in the whole world, Gryphon Scryer, this is for you.
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As I reflect on my journey toward completing this project, I realize that the best advice I received was from Dr. Raymond Cox, who, during my first semester of doctoral study stressed the importance of choosing a topic early in the process and who agreed that the area of nonprofit accountability was worthy of study.

I must acknowledge my professional colleagues and fellow students who listened patiently as I constantly sought to enlighten them to the opportunities and challenges we face in working with the nonprofit sector. My desire to study nonprofits came from my personal experiences as an employee and board member of various nonprofit organizations. My work with the YWCA of Summit County during the last eight years—until the dissolution of the organization in 2006—was educational and challenging and I wish to thank those I served with, particularly Rhonda Davis and Tracy Carter, for their unending support of my personal endeavors as we worked together. The YWCA board served as a springboard for many women in the Akron community to move into leadership roles and for the opportunity to be a part of that, and to study that, I will be forever grateful.

The Center for Nonprofit Excellence in Akron offered a great deal of support to this project, and I thank Susan Griffin for her many hours of problem solving and advice.

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CHAPTER I
THE PROBLEM

The intention or purpose of this study is to obtain and analyze selected procedures, policies and practices used to evaluate the performance of the nonprofit executive director or Chief Executive Officer. As the number of nonprofits continues to expand, and as the privatization of public services spreads, communities and citizens should be ever more concerned with the way services are delivered and contracts are carried out. Those who lead and govern nonprofits could benefit from research regarding how to improve the accountability of nonprofit organizations by examining the performance of the executive director. Because there exists little research regarding the practices of nonprofit organizations with regard to performance appraisal of executive directors, an empirical study such as this may be useful in educating others, and in developing evaluation models and training programs.

Definition of Nonprofit

Contributing to the confusion is the multitude of terms used to refer to nonprofit organizations. Literature reviews uncover terms such as the independent sector (Fremont-Smith, 1989), the civil sector (McCambridge, 2004), the voluntary sector (Warren, 2003), the social sector (Dobbs, 2004), voluntary organizations, third sector, civil society, and
nongovernmental organizations (Gibelman and Gelman, 2001). In addition, when referring to the provision of government funded services, nonprofit organizations are sometimes called the “hollow state” (Milward and Provan, 2000). The use of so many terms is often confusing and deceptive. For example—the term third sector lists nonprofits as third after private and public, yet seldom is this clarified by stating private for-profit, and public (which are in actuality) not-for-profit organizations. Furthermore, the terms voluntary sector or voluntary organization are not necessarily accurate—as many nonprofits exist without the use or help of volunteers, except for the board of directors. Referring to a nonprofit as a nongovernmental organization begs further discretion, as any organization that is not governmental could be termed nongovernmental.

One author claims that “All 501 (c)(3) organizations must be categorized as either private foundations or public charities….” (Block, 2001, 152). Yet, again, the use of the word public is more commonly used as a substitute for government and 501 (c) 3 organizations are not government charities. Salamon attempts to clarify the definition by stating that “The private nonprofit sector…is a set of organizations that is privately incorporated but serving some public purpose” (Salamon, 2001, 163). Despite agreement that nonprofits are indeed private, there is an underlying expectation that “…nonprofit organizations have a degree of inherent publicness due to the benefits, status, and standing they receive from the polity” (Lee, 2004, 177). But this is not always the case as organizations such as churches or membership organizations are private nonprofits that do not serve the general public, instead serving only members. The Boy Scouts of America stands as an example of a nonprofit that was federally awarded the right to discriminate against those people not desired as members, and so fails to serve the public (Brody, 2002).
The provision of six defining characteristics of nonprofits helps with clarity:

Formal…institutionalized to some extent…. Private… institutionally separate from government…. Non-profit-distributing…not dedicated to generating profits for their owners…. Self-governing…equipped to control their own activities…. Voluntary…involving some meaningful degree of voluntary participation…. Of public benefit…serving some public purpose and contributing to the public good. (Salamon, 2001, 163)

Yet, despite Salamon’s clarification, an additional complication arises in interpreting the word “nonprofit.” Often this is interpreted to mean these organizations are not legally allowed to make a profit—when in actuality, they are defined by a “nondistribution constraint”—they can indeed make a profit, but cannot distribute that profit to members, officers or others (Hallock, 2002, 380). Nonprofit programs are often designed to generate additional income or profit that will help to cover overhead or administrative expenses of a program or organization.

The Internal Revenue Service, in establishing the codes by which nonprofits are defined, lists 25 types of tax-exempt organizations, and 48 percent of these maintain the 501 (c) designation. One of the most commonly identified listings, the 501 (c) 3 designation, refers to “a charitable organization that engages primarily in charitable activities” (Hoyt, 2001, 149). The existence of numerous tax exempt designations confounds issues of accountability, and whether tax exempt status is legitimate is questioned by some: “Nonprofit tax exemptions are costing taxpayers an estimated $36.5 billion a year in lost revenue, while nonprofit organizations are generally not living up to their end of the deal” (Lee, 2003, 948). Whether or not some organizations are deserving of tax exempt status is questioned but verification of a nonprofit’s legitimacy is often difficult, if not impossible, due to the limited requirements for establishing and maintaining nonprofit status.
Background

Nonprofit organizations exist to serve myriad needs in the United States. Historically these organizations were created for the purpose of fulfilling some need in a community—and usually with the focus of doing “good works.” The function of nonprofits can be defined as: “(1) to perform public tasks that have been delegated to them by the state; (2) to perform public tasks for which there is a demand that neither the state nor for-profit organizations are willing to fulfill; or (3) to influence the direction of policy in the state, the for-profit sector, or other nonprofit organizations” (Hall, 1987, 3).

The very nature of nonprofits makes evaluation and accountability difficult. The need to constantly focus on finding and obtaining available funding dictates that nonprofits must remain flexible and innovative—sometimes changing programming midstream when funding sources shift. Although this is a common practice, it makes performance measurement difficult. Thus, the nonprofit often faces the dilemmas of “(1) knowing when it is doing well, and (2) being able to make changes, or to redirect resources, when members of the organization suspect it is not doing well” (Kanter, 1987, 155). A great deal of confusion surrounds the nonprofit sector regarding status as private vs. public organizations, and this adds to the complexity of demonstrating that an organization is serving its constituents and living up to its mission.

The study of administrative functions in nonprofit organizations has expanded greatly in recent decades as is evident is the large amount of literature currently available, and the lack of literature written in previous decades. A large percentage of nonprofit administrators or directors have attained their positions because they were successful at a lesser function in the organization. It is common to find executives who have worked their
way to the top by becoming excellent program managers or service deliverers. In addition, as Chester Barnard (1968) acknowledged in his classic, *The Functions of the Executive*: “We deliberately and more and more turn out specialists; but we do not develop general executives by specific efforts, and we know very little about how to do it” (222). Although executive education programs have visibly increased in availability throughout the United States, whether their influence reaches into the everyday functioning of local nonprofit organizations is debatable.

The majority of nonprofit organizations are small—43.2 percent have assets under $100,000 and only 3 percent have expenses over $10 million (Raymond, 2004). Consequently, the availability of discretionary funds for staff and executive development is often limited. Many organizations are confronted with the reality of maintaining basic services and spending resources on improving management and administration is a low priority. The development of systems and procedures to successfully evaluate the performance of the executive director may suffer as well.

The 1990s were scandalous for nonprofit organizations. Chief executive officers/executive directors of huge national nonprofits were found guilty of siphoning off funds for their personal use and of using agency money to pay contractors exorbitant fees for services (Gibelman et al, 1997; Eisenberg, 2002). Cases of poor fiscal management, and even criminal behavior plagued large organizations such as the United Way of America, the National Association for the Advancement of Colored People, and the Foundation for New Era Philanthropy (Gibelman et al., 1997). These stories were especially shocking because of the nature of nonprofits and the expectation that the people involved were there for the purpose of serving society. Since these cases became the center
of national scrutiny, more negativity surrounds nonprofits than ever. In 1987 Hall wrote, “…historians have tended to ignore the nonprofit sector” (3), and what is written tends to be highly critical. Other researchers found the same dilemma regarding nonprofit governance—little has been written (Middleton, 1987) and what exists tends to be “sparse or largely prescriptive” (Prehar, 2001, Introduction). The flexible nature of nonprofits, the rapid expansion of the sector in recent years, or merely ineffective leadership may provide possible explanations for the negativity surrounding nonprofit organizations (Kanter and Summers, 1987). Any of these factors as well as the increase in documented criminal and unethical behavior may be a hindrance to effective accountability.

Although reporting requirements have been improved by the IRS and chartering organizations (in the case of larger nonprofits) not every nonprofit follows such guidelines (Frumkin, 2001). Eisenberg (1997) found that many nonprofits do not issue annual reports or financial statements. Such reports are often used by community advocates and funders to verify the direction and legitimacy of an organization’s programming. Yet, it is clear that governing boards do not always function effectively as was proven in the cases of the United Way, the NAACP and others (Eisenberg, 1997). Many boards suffer from a malfunctioning governance structure (Gibelman et al., 1997) and an apparent lack of savvy to correct such problems. Swiss (1983) defines accountability as “the aspect of a relationship in which one person (or organization) is subject to the authority of another in such a way that redress may be exacted in case of a default” (78). To use this definition as a standard, one must then address a definition of authority—who is the final authority in a nonprofit organization—and are there methods through which redress can be obtained. Drucker (1989) contends that often the relationship between the board and the CEO "tends
to be highly contentious and full of potential for friction" (91). Again, many issues surrounding nonprofits are not clear, although according to the legally defined structure of many nonprofits (as established in bylaws or codes of regulations) the board is the final authority and (for the most part) has fiduciary responsibility for the organization. Yet, many nonprofits do not have the resources, or the environment, to create an effective board. The nonprofit sector is made up mainly of numerous small organizations, and the environment that is conducive to their success is actually one that “impedes effective governance” (Prehar, 2002, Introduction). In addition, boards are sometimes seen as inconsequential—except during times of crisis—they are merely figureheads necessary to maintain compliance, thus they are not studied much and consequently a dearth of resources exists to help in their development (Hage, 1998).

Possibly because of a lack of knowledge, training, or experience, boards are indeed often ineffective. As a result, a trend that has spread through the nonprofit sector is an over emphasis on the chief executive officer, what Eisenberg (1997) calls “the cult of the CEO” which “corresponds to our national infatuation with stars and celebrities, [and] is dangerous to the long-term health of nonprofits because it diminishes collegiality and teamwork and detracts from the organizational mission. It builds egos, not institutions” (The Corportization of the Sector ¶ 2). An ill-defined relationship between the CEO and the board of directors exemplifies one of the factors that complicates the issue of producing a fair and effective performance appraisal.

As studies of nonprofits have increased, so have questions regarding the accountability of organizations. With reporting requirements less stringent than those required of public and for-profit organizations, potentially questionable actions of
nonprofits can easily slip by unnoticed. Corporate America is subject to scrutiny by shareholders, the legal community, business media, and various analysts, yet parallel systems do not confront the bulk of the nonprofit community (Raymond, 2004). Front page scandals in the 1990s brought issues of nonprofit accountability to the forefront for many American communities, inciting reactions from local and national watchdog groups. The reaction time and alleged mishandling of donations by the American Red Cross following the September 11, 2001 terrorist attacks brought to light new issues and increased demands for accountability (Light, 2002). Criticisms such as those of the American Red Cross (with regard to leadership problems) raise important points, and the asking of such questions to clarify measures of accountability demands response from all concerned with nonprofit organizations: governing boards, administration, clients or constituents, and the public.

According to Carver (1997), the final answer rests with one person: “The CEO is accountable for the entire enterprise’s meeting expectations….The skills sought in a CEO are not those associated with responsibility, but with accountability” (107).

Conversely, others look elsewhere,

As the nonprofit sector has become a larger portion of the national economy, the public lens has turned more readily to its financial and governance structure and behavior. The greater the power of nonprofits, the more evident their economic and social importance, the more probing the scrutiny. Over the past several years, it has become clear that many nonprofit institutions, executives, and members of boards of directors have not been prepared for that scrutiny. Indeed, surprise has been the most common reaction. (Raymond, 2004, 68)

Boards which are involved in monitoring the fiscal, personnel, and policy interactions of nonprofits, as well as administering a sound performance appraisal for the CEO should find no surprises in their examinations of such systems. Only when boards remove themselves from issues of accountability do they set the stage for surprise and potential litigation.
A number of books such as *Leader to Leader: Enduring Insights on Leadership* (Hesselbein and Cohen, 1999) have appeared in recent years exploring the characteristics of successful organizations and leadership. Although such non-empirical books and trade journals exist on ‘how to be a successful leader’ there is little evidence that nonprofits are actually evaluating executives on the criteria discussed in such publications. Still, if detailed models with distinct performance categories exist for for-profit leaders and include a vast array of competencies, methods, and tools (Newman et al., 2001; Stoesz and Raber, 1994; Frumkin, 2001; Temkin, 1997) at least some of those methods and tools should be transferable to the nonprofit sector.

Whether for-profit or nonprofit, executive performance appraisals can be difficult and limiting. Certain criteria must exist for an appraisal to be effective, to be believed, and thus to have impact on the executive being reviewed. Longenecker and Gioia (1988) interviewed executives about their concerns regarding performance appraisals and found five primary issues: executives desire feedback, executives believe their superiors are uncomfortable with the process, executives experience anxiety over the process, executives who do not receive appraisals experience serious consequences, and executives recognize the potentially damaging nature of organizational politics. Further studies found that the consequences of allowing politics to creep into the appraisal process can be detrimental to the appraisal process and may compromise the organization as well (Gioia and Longenecker, 1994).

Not only is performance appraisal a contentious, politically confounded, and uncomfortable issue on its own, but it becomes even more so when an evaluative interaction is expected, as the relationship between the board members and the executive
director is often unclearly established. As such, performance appraisal appears to be one facet of nonprofit governance that is often overlooked or at the very least, put to the side while other, supposedly more pressing issues are addressed.

Focusing the Research Lens: Questions

In order to expand the knowledge base about practices of nonprofit organizations, this study comprises a survey of nonprofit board members and executive directors to construct an exploratory and descriptive analysis of the theory and practice of appraising the performance of the executive director. The issue to be explored in this study is: What is the intention (or purpose) of appraising the performance of the nonprofit executive director and is a performance appraisal conducted? Additionally, other variables will be examined in an attempt to determine organizational factors that influence the performance appraisal process. The following questions will be examined:

1. Is there a relationship between the size of a nonprofit organization and whether a performance appraisal is conducted?

2. Is there a relationship between the maturity (age) of a nonprofit organization and whether a performance appraisal is conducted?

3. Are organizations affiliated with or chartered by a larger or national organization more likely to conduct a performance appraisal of the executive director?

4. Are organizations with a standardized performance process in place more likely to conduct a performance appraisal of the executive director?

5. Are organizations with board members and/or executive directors who believe the intention or purpose of the performance appraisal process is to help document the accountability of the organization more likely to conduct an evaluation of the executive director?
6. Are organizations with board members who question the accuracy and thoroughness of information provided by the executive director more likely to conduct a performance appraisal of the executive director?

7. Are organizations with board members and/or executive directors who believe the performance appraisal procedure currently used by the organization is effective and accurate more likely to conduct a performance appraisal of the executive director?

8. Are organizations with board members and/or executive directors who believe the organization needs a better method to evaluate the performance of the executive director less likely to conduct a performance appraisal?

9. Are organizations with board members and/or executive directors who have higher levels of experience with performance appraisals more likely to conduct performance appraisals of the executive director?

10. Are organizations with board members and/or executive directors who have lower levels of discomfort with performance appraisals more likely to conduct performance appraisals of the executive director?

This study examines existing literature salient to the issues of nonprofit administration and governance, accountability, and performance appraisal. When the literature from nonprofit, for-profit, and public sectors is combined, it becomes clear that executive performance appraisals are relevant to the administration and governance of nonprofits, as well as to accountability and that guidelines and tools exist. The intent with which, and the extent to which they are employed is the focus of the survey. Woven throughout this study is the theoretical framework of decision making—how and why do those who lead and govern organizations make decisions—and how does this impact the performance appraisal process. This research brings to light some common practices and procedures and suggests areas in which the practice of appraising the performance of the nonprofit CEO can be improved.
Limitations of the Study

A number of limitations arise due to the survey method employed in this study. Although the geographic scope of the project is limited to the Summit County, Ohio area, it is hoped that a random sampling will contribute to the generalizability of the findings. In addition, findings may be influenced by self-selection of participants. Since the issue of accountability of an organization's executive director may be interpreted as confidential or "touchy", executive directors and board members may have decided not to participate because they did not wish to share such information, and this may have contributed to a low response rate.
Nonprofit organizations in the United States have been subjected to more intense scrutiny in recent years as the disappearance of large amounts of money from a number of visible agencies became evident (Eisenberg, 1997). Decreases in funding, donations and other resources require that nonprofits pay closer attention than ever to organizations’ behind-closed-doors functions. While the pool is growing, currently very little research exists on nonprofit organizations and the measures taken toward accountability. At the forefront of this concern is the lack of information on performance appraisals of nonprofit executive directors/Chief Executive Officers (CEOs). Although nonprofits are required by the Internal Revenue Service to file reporting documents each year, and despite the fact that each nonprofit is mandated to have a governing board for executive and fiscal oversight, measurement of the performance of the executive director is not prescribed. Whether and how the board of directors makes conscious decisions regarding the executive director’s performance appraisal is not clear.

The nonprofit sector in the United States continues to expand each year, as does the literature pertaining to the sector. The nonprofit sector relies on donations of both time and money to maintain its existence, and must respond to multiple constituencies, therefore conducting empirical research on various facets of the sector is important in establishing
credibility and legitimacy. This study explores the phenomenon of the performance appraisal of nonprofit executive directors. In an attempt to build a framework by which nonprofit executive director performance appraisal can be studied, and because little research exists, relevant areas of exploration were selected for inclusion here. This chapter reviews literature on nonprofit administration and governance, accountability, and performance appraisal.

A theoretical framework of decision making provides an underlying reminder that organizations are comprised of individuals, and those individuals are responsible for making decisions that impact the organizations. In addition, the essence of accountability hovers over much that is written on the nonprofit sector, but before drawing it deeper and more directly into contact with the performance of the executive director a broad overview is necessary. Since the empirical literature on nonprofit organizations is sparse in certain areas, some of the literature in this chapter was pulled from the public and for-profit sectors as well. By comparing and combining studies and theories from the various sectors, a more well-rounded approach to the research problem was possible.

Nonprofit Administration and Governance

The nonprofit sector remains a mystery to many people. Perhaps best said by one of the leading experts on nonprofit organizations: “Few aspects of American society are as poorly understood or as obscured by mythology as the thousands of day-care centers, clinics, hospitals, higher-education institutions, civic action groups, museums, symphonies, and related organizations that comprise America’s private, nonprofit sector” (Salamon, 2001, 162). The functioning and regulation of such organizations is elusive and has
historically been overlooked by scholars. Because they were formed and maintained in response to public problems, nonprofits were commonly thought of as a part of the public sector until the latter part of the 19th century (Salamon, 1999) and much of the general public continues to believe nonprofits are public organizations. Nevertheless, in some areas the nonprofit sector can benefit and learn from government agencies, as nonprofits are more closely aligned with the public sector than with for-profit businesses (Allison, 2004).

In an attempt to better understand the issues surrounding nonprofit organizations, this section seeks to define the nonprofit from a technical and legal perspective, as well as to explore personnel, management, and leadership issues that are unique to the sector.

*Management and Leadership*

Many nonprofit organizations are small, and do not have the resources to divide tasks and functions among different staff members. Hence, the executive director often wears many hats and must act as a manager as well as a leader. The creation of an organizational culture with a high level of ethics and creativity (management of staff), may be in direct conflict with the opposite side of the executive’s job, influencing the board, and according to Carver (1997) it is unusual for an individual to suit both roles well. Conflicts arise because of time constraints as well as from personality and professional issues, and finding or developing an executive director who can balance all aspects of the job is very difficult.

O’Neill (1992) cites Chester Barnard as an early authority on naming the executive as the person responsible for creating morality in an organization. Furthermore,
…since the central role of the executive is to inspire, create, and sustain cooperative action, and since responsibility is key to resisting the centrifugal forces of impulses and desires that lead people away from what they should be doing, executive leadership is above all the creation and maintenance of organizational responsibility. (O’Neill, 1992, 201).

Thus, the nonprofit executive must maintain the ability to balance management and leadership of both the staff and the board. In attempting to develop such a balance, some scholars feel that nonprofits have often adopted some of the worst, as opposed to best practices of corporate management—and the director becomes elevated to an unrealistic status (Eisenberg, 1997). This practice becomes a “‘leadership culture’…in which leaders become celebrities” which is dangerous to the mission and culture of the nonprofit (Dobbs, 2004, 12). Combating such culture requires that nonprofit management be “ethically differentiated from other types of management by promoting values” (O’Neill, 1992, 204).

It is clear that opinions vary as Drucker (1989) maintained the view that nonprofits were becoming the management leaders of the country, and that businesses could learn from the practice of nonprofits, yet others decry nonprofit leaders as exalted program managers with little leadership knowledge or business acumen.

Smith (2003) suggests that nonprofits seek help from the government as well as the community in an effort to make up for weak and unsophisticated management skills, structures, and systems. Weiner (2003) recognizes that many nonprofit executives are skilled program experts, but lack broader experience such as finance. Allison (2004) would find fault with both Smith and Weiner, as he believes the same to be true of government administration: “The routes by which people reach general management positions in government do not assure that they will have consciousness or competence in management” (410). Further supporting the contention that questions the skills and
credentials of nonprofit administrators, Lee (2003) found that nonprofit executives tend to lack the formal education or training found in for-profit directors, and “…many nonprofits place people in management who have no formal management training” (Young, 1987, 176). It is common in the nonprofit sector for staff to work their way up in an organization, and eventually to become the executive director. Santora and Sarrow (2001) point out that the executive director often has incredible power—and is able to appoint personnel at will, and terminate them when they pose a threat to leadership.

It is apparent that there is a lack of consensus regarding the effectiveness and efficacy of nonprofit management and leadership. This situation is further confounded as one considers that information about nonprofits is often from a singular source—the executive director. In criticizing research on nonprofits it was found that “the measures of board practices, board performance, and organizational effectiveness all derive solely from one respondent (the CEO) for each organization, and thus it is impossible to determine the extent to which the relationships found are due to a common source or to reality” (Herman and Renz, 1999, 113). These factors support the contention that the functioning of nonprofits must be examined closely and that performance appraisals of the executive director must be unique to the nonprofit situation. Information sources can be further investigated to determine if using the executive director as the focal point is reliable and valid.

Research has also shown that some staffing issues in nonprofit organizations must be regarded carefully. In a survey of nonprofit employees, “a majority rate the quality of frontline employees as somewhat competent or less” (Light, 2004, 7). Others found that “personnel are not necessarily skilled in management innovation” (Raymond, 2004, 102).
As mentioned above, nonprofit workers are often held to lower standards of education and training than their for-profit counterparts. Reflecting this supposed lack of competence, some believe that “rather than following agendas driven by what the staff wants approved, boards should initiate the agendas. Of course, no board knows what is going on in the staff domain well enough to do this” (Carver, 1997, 29). Such statements illuminate some issues with communication in nonprofits—who provides information to whom, and who verifies that the information is competent, reliable, and accurate. Drucker (1990) suggested that one of the most effective methods of resolving this issue is that contact between board and staff be unrestricted—but that the executive director be made aware of such contact. This method would eliminate the more common practice whereby “the CEO role insulates the staff from the board and the board from the staff” (Carver, 1997, 109) and provides for opportunities for the board to explore the organization from perspectives other than those provided by the executive director.

Organizational Effectiveness

Broader perspectives are indeed necessary in approaching the difficult task of measuring organizational effectiveness and efficiency. Although many organizations measure programs based on outputs or outcomes, documentation of effectiveness is extremely difficult in the provision of certain types of services. Herman and Renz (1999) identified shortcomings of using goal attainment and outcomes assessment as measures of effectiveness, suggesting instead that effectiveness must be measured with regard to meeting the needs of stakeholders. In addition, a study of organizational effectiveness in nonprofits found that “objective measures of effectiveness are very difficult to identify”
(Brown, 2000, 117). Criticism of nonprofits often revolves around charges of inefficiency and has become a “crisis of effectiveness” that damages the credibility of organizations (Salamon, 2001, 426). Yet, from the client’s perspective, charges of poor quality services and inefficiency are often forgiven because services are subsidized and often free, thus lowering the clients’ expectations (Herzlinger, 1994). Because of the difficulty of demonstrating effectiveness, nonprofits have been granted more leniency than would be acceptable to many other businesses. Wimberley and Rubens (2002) suggest that as a possible solution, standardized assessment tools should be developed and made available to help nonprofits evaluate and compare their services and successes. Along with the development of standardized assessment tools, training nonprofit staff in program assessment and evaluation may be necessary.

Because of the flexible nature and lack of regulation of the nonprofit sector, the administration of nonprofit organizations is riddled with difficulties. By clarifying the concept of nonprofits through an exploration of the definitions and workings of the sector one can better understand the complexities involved in evaluating the performance of the executive director. Many factors play into the performance appraisal process and neglecting to address any one factor may hinder the success and usefulness of the process. Eventually, the nonprofit sector must develop further in structure and professionalism to better meet the needs of individual organizations.

**Nonprofit Governance**

According to the Ohio Secretary of State, by legal mandate nonprofits have boards of directors or trustees who are responsible for oversight of the organization. Recent
literature has examined nonprofit boards from a number of different perspectives, including: why people join boards, what processes are used to select new board members, and how board members are trained; how board members gain information about the organization they govern, and finally what is the relationship between the board and the executive director/CEO. Underlying the issue of governance are the processes by which boards seek to make decisions. Theories of decision making will also be examined in an attempt to understand the actions and subsequent consequences of how and why boards make decisions.

This section seeks to explore these issues regarding the workings of nonprofit boards—as well as to provide suggestions for further research on the accountability of boards. The literature suggests that the development and maintenance of strong governing bodies is necessary to the survival, much less growth, of nonprofit organizations (Gibelman, Sheldon, and Pollack, 1997); what is not clear is how governing bodies gain and maintain their health and strength.

What Constitutes an Effective Board

One of the difficulties encountered in nonprofit governance and administration is clarification of the roles and responsibilities of the board and of the executive director. To aid an organization in this process and to foster communication about the issue, self-assessment tools have been developed (Herman and Heimovics, 1991; Jackson and Holland, 1998). One such tool, the Governance Self-Assessment Checklist (GSAC) was designed to identify governance strengths and weaknesses. “The GSAC was intended to serve not only as a self-diagnostic instrument, but also as an educational and governance
improvement tool that would provide board members and senior staff with timely feedback on their own perceived use of best practices” (Gill, Flynn, Reissing, 2005, 274). Tools such as the GSAC assess board effectiveness which has been linked to organizational effectiveness. Without assessment tools, it is often difficult to determine that a board is truly effective. As recently as a few years ago, scholars were purporting that “despite some excellent work in the area….little is known about the governance in nonprofit organizations” (Hallock, 2002, 401). Furthermore, according to Raymond (2004) the standards and expectations set for nonprofit boards are much less stringent than those set for corporate entities. This is supported further with the contention that it is not management, but weak governance in the nonprofit sector that contributes to the erosion of public confidence and “if we cannot restore the integrity of our governance systems, nonprofits will lose more than their reputations” (McCambridge, 2004, 348). Peter Drucker (1990) stated that responsibility for effective governance should be assigned to the executive director, and although admitting this is a risky proposition—that governance should be a key duty of the executive director.

Suggestions for improving the functioning of nonprofit boards are often taken from the corporate sector and lessons to be learned include maintaining a small size board, conducting boardroom evaluations of how members are functioning in their roles, assessing the capabilities of the members, and ensuring efficient, effective, and interesting board meetings (Conger, 2004). Some organizations may debate the issue of board size (as some maintain large boards to increase both visibility as well as donations), but the other suggestions are relevant to all boards.
In a study of effective and less effective nonprofits, Herman and Renz (2000) found that the effectiveness of an organization is strongly related to the effectiveness of the board, but this study also suggested that many boards do not fulfill their governance responsibilities. Consequently, it may follow that many nonprofit organizations are weak because of the ineffectiveness of their boards. Other studies showed that organizations that were perceived to be effective had active boards and committees (Forbes, 1998).

Board Membership

What motivates people to volunteer has long been a topic of research. Since volunteering to serve on a nonprofit board carries with it major responsibilities and commitments, an examination of the motivation of board members is warranted. Wilson (1976) states that according to Frederick Herzberg’s (1959) Motivation-Hygiene theory, people see “hygiene” factors such as policies, administration, interpersonal relations, status, and security as desirable and although these things themselves may not motivate people, “the absence of them demotivates” people (Wilson, 1976, 44). According to this theory, people may be motivated to join a board out of a desire to aid an organization—but may lose motivation if structure (the factors mentioned above) is not in place. Additional motivating factors may be related to the job or volunteer position itself: achievement, recognition for accomplishment, challenging work, increased responsibility, and growth and development (Wilson, 1976). In other research specific to volunteer motivation, the need or desire for affiliation, achievement, and power are noted as influential (Fisher and Cole, 1993). Motivation specific to board members may include “heightening their own visibility in the community, acquiring an opportunity to mobilize the resources of many
organizations on behalf of policies and institutions they favor, and increasing their social and professional connections” (Middleton, 1987, 146). Board members may become involved with organizations for any one of the reasons mentioned—but their motivating reasons will certainly have an influence on their participation. Those interested in truly being a part of the organization’s growth and development will potentially play a more active and serious role than those interested in seeing that their names are published in the annual report and local newspaper. Screening potential board members based on motivation is highly impractical and virtually impossible, but deliberation of “why volunteer?” merits consideration.

A second point to examine is what process is used to select new board members, who is involved, and what criteria are used in the selection. Nonprofit boards with clearly defined roles and committees designed to fulfill such functions will usually have a board nominating committee. This committee may be comprised of current board members, non-board affiliated members of the community, and the executive director. The nominating committee ideally looks at current board composition, determines what skills (and connections) are lacking and necessary, and sets out to tap suitable candidates from the community (Brown, 2000). Although most of the literature asserts that board members are selected and appointed by committee, other literature indicates that the executive director has significant influence over the matter (Jefferson, 1996). A still more unusual approach is to place an advertisement for board candidates in a local newspaper (author’s personal experience). Whether the selection process is formal or informal depends on the nonprofit and the amount of time and energy committed to the process. Despite the process by which
members are nominated, it is recommended that boards maintain an application and
interview process (Carver, 1997).

Although some boards may accept anyone interested in serving, effective boards are
selective in choosing new members. Some board members are selected for their
financial expertise and availability (Shinkman, 1998). As some nonprofits seek to move
more toward a corporate rather than community-based model, business leaders may be
recruited to foster the development of corporate norms (Salamon, 2003). Board members
may also be selected for their familiarity and/or experience with the organization, and the
resources to which they have access (Middleton, 1987). One familiar adage often heard in
the board room is “give, get, or get off”—members are expected to donate time or money,
or seek donation of the same, or leave the board. In retrospect, those board members who
have a great deal of time to commit are not only highly valued, but this, along with their
high status may actually increase their power on the board (Hage, 1998).

Despite the numerous attributes, such as experience, education, commitment to the
organization and community that all have a place in the board screening process, it is often
the case that committees or individuals will choose members with whom they are
comfortable. A qualitative study of eight female executive directors found that in recruiting
board members one executive director chose from a circle of friends, while another
selected people who “had the same belief [the executive director] had” (Jefferson, 1996,
139). In this particular study, a majority of board members were hand-picked to serve as
allies of the executive director, and although this contributed to the building of
relationships, it also encouraged a rubber-stamp decision making process (Jefferson, 1996).
Often boards select candidates based on personal knowledge or friendships. This is not
necessarily negative, since many active members of communities are well known, but it presents the potential for a “self-perpetuating system” (Middleton, 1987, 148). The danger of self-perpetuation is that of boards selecting only those who fit in, and excluding or eliminating those who are seen as “radical or deviant” (Middleton, 1987, 148). The selection of board members is of crucial importance in creating an environment with the potential to be healthy, fair and truly accountable to its constituents. In addition, the board and executive director must work together to ensure an objective and non-biased board composition.

The third issue of consideration here is that of board training: where do board members receive the training for their positions and of what is it comprised. Some nonprofits, such as the Girl Scouts, have a strong national organization with the resources to develop and provide information to their chapters or chartered affiliates. Girl Scouts of the USA has an extensive array of monographs, videos and training modules designed specifically for introducing new board members to the organization and acquainting them with their duties (Girl Scouts of the USA, 1994; Girl Scouts of the USA, 1997). Many other organizations have less structured means of imparting information and must develop their own materials and programs. In recent years, the market has been flooded with “how to” books for board members and directors of organizations on the effective functioning of nonprofit boards. Whether these materials are valuable, or that they are even used, depends on the individual organization. Although they do not address the issue of board development, Gibelman, Gelman and Pollack (1997) list the functions of the board as:
General direction and control of the agency (policy development); Short-term and long term planning (program development); Hiring and evaluating competent administrative staff (personnel); Facilitating access to necessary resources (finance); Interpreting the organization to the community at large (public relations); Strengthening its own effectiveness (capacity-building); Evaluation (accountability). (23)

Eisenberg (1997) outlines the board’s tasks as setting policies and priorities while overseeing the work of the executive director, but warns that many nonprofit boards do not operate effectively. Thus, the question arises as to how board members can be prepared to deal with their responsibilities. Many members will inevitably join the board with specific areas of expertise (some of which will fall into the categories outlined above) but even a simple understanding of the functioning of a nonprofit requires more knowledge than many people will bring to the board. That training specific to serving on a board is important is clear—what is not clear is whether and how that training actually happens. Furthermore, it is often the executive director who is responsible for training board members. Brudney and Murray (1998) believe that this is appropriate as the CEO is the most knowledgeable source of information regarding the organization as well as the board—but this again removes any system of checks and balances. Leduc (1999) also suggests that the executive director should be prepared to manage and lead the board, in addition to supporting the volunteer chairs. Collin (1987) reinforces the need for board development in his examination of nonprofit liability. Since legislation is often unclear when dealing with the specific characteristics of nonprofit organizations, it is increasingly obvious that board members must know both their rights and their responsibilities. Should they fail to take responsibility when necessary, areas in which boards may be charged with negligence are: “failure to manage and supervise the activities of the corporation; neglect or waste of corporate assets; conflicts of interest or self-benefit; improper delegation of authority; harm
done to third parties through tort (wrongful action) and/or breach of contract; and offenses against taxing authorities” (Gibelman et al, 1997, 25). Although most nonprofits will usually carry directors and officers insurance with clauses specific to errors and omissions, a well educated and trained board can be more effective in avoiding impropriety.

Relationships and Communication

Another issue to examine is how board members get the information they need to govern an organization: What are the relationships among the board members, the executive director, and the staff? As with the issues previously addressed, reporting lines and procedures vary from organization to organization. Prescriptive manuals suggest how often boards should meet, as well as what information should be dispersed at board meetings. A typical board meeting may include a report from the executive director, a fiscal report from the finance director, and committee reports from any active board committees (Girl Scouts of the USA, 1997). It is possible that this is the extent of the information presented to board members, though some members will delve deeper into the inner workings of the organization as they are called on for their expertise in solving problems or helping to reach solutions. The extent to which board members feel comfortable asking questions becomes relevant:

Although the board usually relies on information provided primarily by staff, board members have the responsibility, the obligation, and the right to inspect records and materials or to engage outside expertise to do so. Members should feel free to contact the executive director or CEO yet must restrain themselves from undermining staff leadership by working too closely with other agency staff or management. (Scribner, 2004, 138)

The governance environment must be closely monitored by the board chair to ensure participation and compliance with the organization’s bylaws. Occasionally, to deal
with special issues or emergencies, the board executive committee, comprised of officers as well as committee chairs, is called together between regular board meetings (Light, 2004). One risk in using the executive committee for significant issues and decisions is that this then takes information—and consequently power—away from the full board (O’Connell, 1976; Middleton, 1987). Although these may be acceptable methods of solving problems and dealing with crises, the limited nature of these interactions is cause for concern and systems must be in place to maintain the dispersal of relevant information. Because the executive director is often the only point of contact with the board, information may be disseminated by the executive director in a manner to intentionally influence the board’s decision-making process (Kramer, 1987). This discretionary distribution of information may be dangerous. In support of this caveat, a study of four hundred board members in ten cities found that many saw themselves as following the direction of the executive director, and not as leading the organization themselves (Middleton, 1987). Although this may be common, the issue of who leads the organization continues to merit further research and recommendation.

Leadership of nonprofit organizations thus generates opinions as to whether the board or the executive director is at the apex of the organization—and a great deal of discussion revolves around this issue. According to Carver (1997) the board and the CEO have a non-hierarchical relationship and are colleagues, and the CEO must stay out of governance. Hage (1998) purports that the relationship between the board and the CEO may be over power—created by dilemmas of motivation and control of volunteer board members. Drucker (1989) maintains the collegial stance, but acknowledges that the
relationship between board and CEO is often highly contentious and difficult to define. An empirical study of boards and executive directors found:

…the prescriptive literature took the position with regard to the division of responsibilities that the chair was the dominant position and the executive existed only to support the chair. On the other hand, the empirical research described the situation as reversed with the executive in the role more critical to the success of the organization. (Leduc, 1999, 120)

Similarly, it is suggested that “Ideally, chairs and executive directors work in an atmosphere of friendship, support, tolerance, honesty, and partnership; helping each other with the difficult tasks they face separately and together” (Scribner, 2004, 141). Organizations that are most effective have a positive, dynamic relationship between the board and executive director that is “grounded in mutual trust and two-way power sharing” (Brown, 2000, 25).

Still, converse to the collegial approach, other scholars believe the relationship must be clearly hierarchical:

The CEO is an employee of the organization and serves at the pleasure of the board. When the executive is elevated to coequal board membership, has more than advisory power in nominating board members, develops personal relationships with those who must evaluate his/her performance, is permitted to operate independent of board oversight, or can commit agency resources without review, the duty of vigilance has been breached. (Gibelman and Gelman, 2001, 59)

According to this line of thought, although the executive maintains expertise and knowledge, she or he, remains an employee of the board. An empirical study of board/executive relationships found:

…the existence of alternative patterns of interaction within the leadership core not only from setting to setting but also at different times in the same organization. Under one set of conditions, the board and executive may constitute a partnership; the same individuals could become locked in a power struggle in other circumstances. (Golensky, 1993, 188)
A study of board members and executive directors aimed at assessing perceptions of organizational effectiveness found “discrepancy between board members and executive director, especially in conceptions of board performance and executive director leadership…[and suggested that this] suggests weaknesses in governance practices” (Brown, 2000, 132). This finding is contrary to Kramer’s concern as in Brown’s study, board members are apparently not entirely influenced by the executive director, or at least they disagree as to what constitutes effectiveness. This confusion of roles contributes to problems such as the distribution of information. In this arena, as with many other complicated issues, the executive director must achieve a balance between inundating board members with unnecessary, operational details and providing appropriate information to keep the board well informed regardless of who is at the peak of the hierarchy. From yet another perspective, a study of the leadership patterns in nonprofits found that “it appears that the successful CEO is one who anticipates the preferences and desires of the board” (Wernet and Austin, 1991, 15).

A study might begin with examining the exchanges between the board and the executive director. As with other issues examined in this paper, little literature exists that studies the relationship between the board and management (Middleton, 1987). Downes (1998), in a review of a book about innovative change, points out that there is no more important relationship in nonprofits than that of the executive director and the governing board. What Downes (1998) calls “harmony,” a result of close communication, must occur, but the responsibility for building this relationship falls on the executive director. In a healthy environment this relationship will include a great deal of trust and faith—that
what is being shared is real and responsible information. Conversely, an imbalance in this relationship can occur if the executive director is:

…elevated to coequal board membership, has more than advisory power in nominating board members, develops personal relationships with those who must evaluate his/her performance, is permitted to operate independent of board oversight, or can commit agency resources without review, [then] the duty of vigilance has been breached. (Gibelman, et al, 1997, 24)

Although this may be less common in larger nonprofits, there is a danger for “executive dominance” in smaller organizations. Larger organizations are likely to attract board members who are “professional elites” who have time to become closely involved, thus causing the executive to feel impotent. The opposite is true in smaller organizations that rarely attract volunteers with a great deal of time for close involvement. Therefore executive dominance is more likely to occur (Middleton, 1987). In a book on the executive role in the success of volunteer programs, executives are counseled, “Your most effective tool is persuasion—explaining and convincing the board of your point of view” (Ellis, 1996, 127). Although her intent is to coach executive directors toward success, Ellis’s statement could also be taken as promoting executive dominance.

In some of the worst nonprofit scandals of recent years, the board’s “blind faith” in the ethics and responsibility of their executive directors allowed criminal acts to go unseen. Essentially, the boards “abdicated their responsibility by delegating, consciously or unconsciously, their obligation for oversight to the executive director” (Gibelman et al, 1997, 31). Middleton (1987) further cautions against any executive director who has interest in maintaining either a “conflict-averse or a noisy board” (149). Conflict-averse boards are less likely to question decisions, and tend to avoid challenging the executive director and raising controversial issues. On the other hand, a noisy board tends to use a
A final and potentially controversial area of study is that of the interactions between board and staff members. Although executive directors may be in constant contact with members of the board, whether other staff members have any contact at all with board members is a point to be addressed. Interactions between board members and nonexecutive paid staff are seldom, if ever, addressed in the literature. This is not surprising, as it is not uncommon for there to be little or no interaction between boards and staff. According to Scribner (2004) this may occur because staff members do not understand how to work with a board and at the same time, board members must take care not to undermine executive leadership in their work with staff members. While many nonprofits do not encourage such interactions, some actually forbid them. In one such example, the president/director of a major foundation implemented management policies that included a rule that staff members were not permitted to speak with board members without first receiving permission from the director—anyone inadvertently interacting with board members was to notify the director about what was said (Eisenberg, 2002). From the opposite perspective, board members themselves are sometimes discouraged from talking with staff (Nason,
Beyond the fact that executive directors would maintain such a stance to secure their
own power base, the reasoning for such policies is elusive. Board members can hardly get a
well-rounded understanding of an organization without having at least some interaction
with the people making things happen. In the instance of the board of a large nonprofit with
a very active and direct role in the operations and management of the organization,
interviews with middle managers verified that they had limited contact with board
members (Kanter and Summers, 1987). Because their interactions were limited, staff
members were stifled in their attempts to build alliances with key board members which
runs counter to the concept that “joint trustee-staff programming can offer special
opportunities for developing effective executive-board relationships, for clarifying the
accountability process, and for explicating the criteria used to judge the success of an
organization in the context of its social mission” (Young, 2001, 16). In building effective
governance functions, nonprofit boards need to examine the potential pros and cons of
including staff in the information chain. Herman and Heimovics (1991) recognize the
complications inherent in nonprofit administration but caution about the use of strict and
inflexible structure.

…Hierarchy sometimes creates as many problems as it solves. Many scholars and
practitioners have noted that hierarchy provides for positional or formal authority
but does not ensure that information and expertise are correspondingly aligned.
Indeed, in organizations dependent on professionally trained specialists, the
separation between positional authority and competence and information is
frequently substantial. (Herman and Heimovics, 1991, 42)

Those staff members who have the greatest expertise and information regarding an
organization’s programs and services may be furthest from the board. Hence, board
members may not have direct access to such information. Tools used to assess board
effectiveness, referring to board/staff interactions, include such questions as: “This board
has formed ad hoc committees or task forces that include staff as well as board members. The board periodically requests information on the morale of the professional staff” (Jackson and Holland, 1998, 179), suggesting that an effective board developed and fostered some interaction with staff members.

In addition to keeping staff members from building potentially beneficial relationships, this separation of board and staff maintains a distance that may hinder board members in supporting personnel issues such as raises. Lack of personal contact may lead board members to project their own beliefs upon the staff, for instance, by denying salary increases because they feel staff must have the same “altruistic motivation” as possessed by the board (Young, 1987).

In fact, a board’s ability to help manage the interdependence of the organization and external elements arises in part from the friendships that are developed among board members and with staff. These friendships over time increase members’ identification with the organization and their feeling of responsibility for its survival and well-being. (Middleton, 1987, 144)

Although it is clear that the functioning of most nonprofit boards does not include the daily operations of an organization, occasional interactions with key staff members could benefit the bottom line. According to a study of effective organizations, one demonstration of an effective board is that it is inclusive in how it seeks information “encouraging staff to share their perspectives more frequently and informally with board members” (Brown, 2000, 34). The building of relationships and allowance for interactions may also help to eliminate situations where the board discounts staff information as inadequate or unreliable:
…Staff are equally busy and face temptations to present only the information that supports their interests and viewpoints. Lacking adequate information, board members are more likely to defer to the executive director, to be influenced by outspoken and opinionated board members, and to rely on limited or idiosyncratic experience or opinions. (Pollack and Lampkin, 2001, 100)

If the board is responsible for overseeing the nonprofit, then who is responsible for overseeing the board? Pablo Eisenberg (1997) commented on the lack of watchdogs for nonprofits and their boards—focusing attention on the need for standards for accountability and systems to verify information. Many suggestions for areas of improvement arise out of the literature—most of them are simple means or methods that can easily be implemented by nonprofits—such as careful selection of board members, appropriate training and relationship building. Whether important and necessary changes occur once identified is a question for further research. Much work still needs to be done to ensure that nonprofit boards are accountable, responsible for, and responsive to their organizations. One suggestion for increased accountability and transparency is to gain greater citizen participation in the governance and overseeing of local organizations, as well as diversifying board membership to insure consideration of the perspectives of various populations (Frumkin, 2001). In addition, the relationship between the board and the executive director must be continually examined and questioned to ensure the most effective, responsible, and ethical communication occurs.

Accountability

This exploration into the concept of accountability will serve many purposes. First, by examining the literature relevant to the topic, definitions and trends will be identified and studied. Second, by searching out existing models and frameworks, the work of key
theorists will be included. And finally, by tying the entire process into the issue at hand—the accountability issues of nonprofit organizations—and specifically the accountability of the executive director.

Defining Accountability

In some senses, the word accountability is overused—in other senses the concept remains elusive and is neglected when needed the most. In its simplest sense, accountability means responsibility or liability—one who is accountable for something is responsible for it. Yet, possibly because of numerous scandals and lapses of ethical behavior in both the business and nonprofit sectors, the concept of holding someone accountable for illegal or unethical occurrences arises frequently. “To ‘hold people accountable’ has become a cliché and, like all clichés, is a substitute for thinking” (Behn, 2001, 6). According to Behn, the phrase has lost meaning—and intention. In order to address this issue, a clear definition and purpose will eventually be sought—but first, it is important to explore other factors contributing to the lack of clarity on this issue.

Throughout the literature on accountability, initial questions of “to whom?” and “for what?” arise. Although these are crucial to resolving the issue at hand, they remain vague and broad. According to Ebrahim (2003) the concept is so vague, that in a 1995 issue dedicated solely to the concept of accountability, a leading nonprofit journal nowhere defined the term itself. Others decry that a definition depends on societal context (Gibelman and Gelman, 2001), or upon the theory under which a situation is being examined (Bogart, 1995). Lipsky’s (1980) work on street-level bureaucrats and democracy
is appropriately transferable to this discussion of nonprofits as accountability is defined in terms of behavior.

First, accountability is a relationship between people or groups. One is always accountable to someone, accountability is not abstract. Second, accountability refers to patterns of behavior. Only if a pattern of behavior exists can predictability, and therefore accountability, exist. In practical terms this means that efforts to change or improve accountability cannot succeed unless patterns of behavior change or improve. (Lipsky, 1980, 160)

Addressing accountability relationships as processes, such as responsibility, discretion, reporting, and reviewing and revising, has been suggested (Whitaker, Altman-Sauer, and Henderson, 2004). Further discussion of accountability as a process views the concept in terms of values and ethics, “Accountability is a process of public disclosure of how the organization contributes to the public good—a safer, healthier and fairer society—through its programs and services. Accountability is about results: it is about the consequences of actions or lack thereof” (Green, 2004, 26). Of course this definition is complicated with the need to define and measure values and ethics. Various dimensions of accountability include areas such as authority, standards of performance, and responses to the external environment (Kearns, 1996). Young (2002) suggests that norms for accountability exist for nonprofit organizations—in their mission statements—and although these are easy to identify, they are far more difficult to interpret and eventually, to achieve.

Despite the difficulty in agreeing upon a definition for the concept of accountability, support for the importance of the issue is unwavering. “Without accountability as a distinct binding mechanism of life in organizations, people would experience an increasingly precarious and tentative world where disruption becomes the focal concern, not the continuity of effective practices” (Fry, 1995, 182). Thus, accountability is at the very least, a necessity. The following sections will move beyond
what accountability is, and into realms of what trends have emerged and how those impact
the functioning of nonprofit organizations.

Public Trust and Nonprofit Accountability

Nonprofits exist to serve the public and to work for the betterment of communities,
and maintaining strong and healthy reputations is crucial to their viability. This section
explores how public trust is an issue that surfaces consistently in the literature on nonprofit
accountability, and contributing to the distrust is the ever common corporate scandal:

What is so sad about this [Enron type scandals] is that the public distrust is
spreading like a malaise from one sector to another, from politics to commerce…. Directors in boardrooms are second-guessing and asking questions they have never
asked before. How do we know we are getting the straight scoop? Is someone at the
table hiding information that’s going to come back to haunt us or, indeed, bury our
organization altogether? (Dobbs, 2004, 13)

The American public has become more accustomed to questioning the dealings of
corporate America, but the issue of public trust is different with nonprofits than it is with
for-profits (O’Neill, 1992). Citizens want to believe that their donations are used
responsively, and that nonprofits will produce that which they set out to produce. Yet,
“…nonprofits have tended to point to their not-for-profit status as ipso facto evidence of
their trustworthiness and effectiveness” (Salamon, 2001, 427) assuming that they are above
reproach because of their mission and implied values. Some nonprofit organizations with
strong national affiliations are self-regulating, requiring that their affiliates submit to a
chartering or review process, and although this may help maintain some semblance of
accountability, little research exists as to the effectiveness of it (Young, Bania, and Bailey,
1996).
Although scholars seem to agree as to the importance of establishing and maintaining public trust, there is considerable disagreement as to when and how the erosion of that trust began. According to Light (2004) public confidence in nonprofits prior to the terrorist attacks of September 11, 2001 (9/11) was high and unqualified. Numerous authors throughout the media point to the failure of the American Red Cross to act with diligence in handling post 9/11 donations as the beginning of the deterioration of public trust. But according to others, it was clearly not reactions to the 9/11 debacle that lead to failures of trust. Conviction in nonprofits had been slipping for some time, as a 1994 poll showed that public confidence had dropped since 1990, and that Americans had lost faith in organizations as well as the people associated with them (Scrivner, 2001). That reconnecting citizens to their communities in spite of feelings of mistrust is a cumbersome burden for nonprofits (Clarke, 2001) is not of debate, but the issue is further complicated when the nonprofits themselves are not trusted. “Nonprofit and governmental organizations support the most important aspects of our lives. When these institutions fail, the breach of public trust is devastating” (Herzlinger, 1996, 107). Herzlinger’s contention that trust in both sectors is important is valid, but the American public has long expressed distrust in governmental organizations. What may be particularly devastating is the newer concept that “No longer is there the assumption that people who work in nonprofits always do what is right” (Green, 2004, 25). Public attitudes towards nonprofits have declined (Salamon, 2003) as public confidence has eroded (Ebrahim, 2003).

This deterioration of confidence in nonprofits in general (Salamon, 2001) is particularly dangerous to a sector that relies on the generosity of the public for its very survival. “When nonprofits are perceived as acting in unprofessional, irresponsible, or
ethically questionable ways, public reaction can quickly rise to feelings of betrayal and violation of trust. Distrust in one nonprofit can cause a halt to giving to other nonprofits” (Maclean, 2004, 24). And as the sector continues to grow, the public is becoming even more observant and expectant of greater transparency and accountability (Raymond, 2004).

Negative attitudes can be detrimental to the nonprofit sector. Coupled with a weak economy and fewer discretionary dollars available for giving they can be disastrous. Suggestions for restoring public trust include overhauling the financial accountability systems of the sector (Keating and Frumkin, 2003) and “giving greater attention to measurement of nonprofit effectiveness” (Salamon, 1999, 21)—each of which will be addressed in discussions to follow.

**Issues in Nonprofit Accountability**

One of the most complex questions to resolve in the quest for nonprofit accountability is the determination of to whom, and for what the organization is accountable. Identifying stakeholders is not necessarily a straightforward task, as constituents may exist in many forms, but “Everyone agrees that nonprofits must be accountable in some manner to somebody” (Lyman and Hodgekinson, 1989, 473). Keating and Frumkin (2003) divide stakeholders into those inside and outside nonprofits. Inside groups are comprised of board members and staff members, and outside groups include donors, clients, and the public (Keating and Frumkin, 2003). Adding slightly to that list, Brinckerhoff (2004) admonishes that nonprofits must be accountable to themselves as well. The difficulty of determining and responding to the needs and expectations of various
stakeholders compounds the accountability equation and requires continuous attention (Ospina, Diaz, and O’Sullivan, 2002).

Along those same lines, nonprofits must take care to avoid responding only to those stakeholders who give extensively. Consequently:

…effective nonprofit organizations…are almost of necessity open to the charge that they serve the elite, that they are accountable to wealthy donors but not to ordinary citizens. For nearly all of their history, nonprofits have also been subject to the charge that in responding to money they have been particularly unaccountable to those classes of Americans—most notably, women and people of color—whose right to control property was denied or severely restricted. (Hammack, 1995, 132)

Hammack (1995) goes on to point out that nonprofits’ intense focus on funding may cause leaders to maintain accountability “to those who pay for or donate to support the services their organizations provide” (136). Neglecting to respond to all constituents is a serious charge, and one that must be addressed by nonprofits seeking to maintain or improve the respect of their communities. Nanus and Dobbs (1999) provide examples of leadership accountability in nonprofit organizations to include obligations to legal responsibilities, the board, donors, clients, staff and volunteers, the community, institutional obligations, as well accountability to one’s self.

The “for what” aspect of accountability is equally complex:

…leaders of nonprofit organizations face a particular bind in responding to the demands for results-based accountability. If they focus only on the project-level outcomes over which they have the most control or for which indicators are readily available, they risk default on the larger question of accountability to publicly valued goals. (Campbell, 2002, 245)

Clearly nonprofits must be accountable for producing their products and services, whatever those may be, but they are also, according to some theorists, responsible for morality (O’Neill, 1989). In the classic The Functions of the Executive, part of the responsibilities
of the executive include those of creating and conforming to moral codes, and thus the “…securing, creating, inspiring of “morale” in an organization” (Barnard, 1968, 279). The implications for measuring or documenting achievement of such objectives are daunting, but such consideration may be crucial to effective leadership and thus the success of the organization.

**Implications of Lax Accountability**

Nonprofits are held to different standards of accountability than are for-profit corporations, and this differential may contribute to a weakening of the sector (O’Neill, 1989). Some critics of this laxness find it detrimental to both the integrity and viability of nonprofits that “…stay afloat because of lax IRS rules, an internal code of silence, and a public that hates to see an organization with a worthy cause go under, no matter how anemic it is” (Light citing Egger, 2004, 6). Studies have shown that other malfunctioning nonprofits may avoid exposure because those responsible for inspections may be hesitant to question politically powerful groups and risk litigation or public embarrassment (Ebrahim, 2003). Often the workings of nonprofits go unquestioned and remain “…shrouded behind a veil of secrecy that is lifted only when blatant disasters occur” (Herzlinger, 1996, 98).

The Sarbanes-Oxley Act of 2002 established standards of accountability for corporate boards—to reduce or eliminate potential scandals such as that involving the Enron Corporation (Snyder, 2003) and although such standards are transferable to nonprofits, they are not as yet mandated and therefore not widely used. Some nonprofits have adopted the principles of Sarbanes-Oxley (Anft and Williams, 2004) but others appear to be awaiting mandated participation. Independent of implications of the Sarbanes-Oxley
act, some authors have acknowledged the need to increase standards of accountability from the perspective of the nonprofit board. Increased internal controls, clarified expectations of and development of board members, as well as board and staff development are all offered as suggestions for increased viability (Gibelman and Gelman, 2001).

Further identification of those dimensions of accountability that are less visible and indirect is also promoted (Ospina et al, 2002). For example, internal motivation, although nearly impossible to identify and measure, is also seen as more relevant to some researchers, as opposed to a “focus on externalities (controls, measures, and laws) to ensure that nonprofits are accountable for assets of society they accumulate and distribute…” (Fry, 1995, 181). Seeking external validation is seen as potentially dangerous in that it may actually compromise the existing accountability structures of nonprofits, instead nonprofit leaders must use their “strong counterbalancing influences: They must rely on strong, internalized values and understanding of the mission to keep to an appropriate path” (Young, 2002, 8). Nanus and Dobbs (1999) support the contention that issues of nonprofit accountability include professionalism, morality and responsiveness, and that penalties for noncompliance are social rather than legal—internal rather than external. Conversely, Herzlinger (1996) believes that internal accountability can never be as strong in nonprofits as it is in for-profits as actual ownership promotes more intense scrutiny. It may be that same lack of ownership that prompts others to decry the absence of a “watch-dog” for nonprofits (Eisenberg, 1997).
Theories of Accountability

An assessment of the usefulness of various theoretical models and frameworks of accountability is important to include at this point. One of the most commonly cited frameworks for administrative accountability or responsibility was presented in response to the events leading up to the explosion of the space shuttle Challenger in 1986. Although the focus of Romzek and Dubnick’s (1987) work is on public administration and the management of public agencies, such concepts present a decent fit with nonprofit administration and so are relevant here. Four types of accountability systems, bureaucratic, legal, professional and political form a matrix based on source of agency control (internal vs. external) and degree of control over agency actions (high vs. low) (Romzek and Dubnick, 1987). Under bureaucratic accountability systems clear lines of reporting must be followed, and the focus is on priorities set at the top of the bureaucratic hierarchy. Legal accountability systems are similar, but are based on following the guidelines of a controlling force outside the agency. Professional accountability relies on skilled experts, and political accountability relies on responsiveness to a particular constituency. This model succeeds in theoretically breaking out reporting procedures and issues of answerability in the public service. The four systems are useful and transferable to nonprofit administration where issues of accountability are often debated and confused. A slightly revised model lists the type of accountability along with the type of value it emphasizes: Hierarchical – efficiency, Legal – rule of law, Professional – expertise, Political – responsiveness (Romzek, 2000). This model presents a proactive approach to accountability, assuming that administrators can anticipate the expectations of their constituents and environment, and thus act and react in response to those (Kearns, 1996).
Traditional models of nonprofit accountability are sometimes viewed as limited. In response, Brody (2002) suggests

…four alternative spheres of accountability: (a) the government regulator through the legal process, (b) the nonprofit sector or industries through peer regulation, (c) the charity’s constituents (donors, members, staff, clients, and contract funders, and (d) the general public (as taxpayers and as citizens) through disclosure of information and attempts to measure the social value of charitable activity. (473)

Brody’s four sphere approach is much broader and inclusive than many of the models that focus heavily on fiscal or legal accountability, suggesting a comprehensiveness that addresses the needs and interests of all factions of the sector.

Separating accountability systems helps to clarify the concept for some, while others cite this model as part of “…a complex collection of extrademocratic, nonhierarchical mechanisms of accountability” (Behn, 2001, 59) that complicate and sometimes contradict historically clear hierarchical lines of reporting and responding. Such theoretical approaches also contrast sharply with the propositions of efficiency and effectiveness of Frederick Taylor and Max Weber—which left no doubt as to lines of reporting and discretion (Light, 1994).

Bringing ethics into the theoretical discussion prompts a division of responsibility into objective and subjective systems (Cooper, 1990). Objective responsibility maintains much of the traditional hierarchical approach, while subjective leans toward internal processes – values, ethics, and morals. According to Cooper (1990), discretion is necessary in interpreting objective components, requiring ethical behavior on the part of the interpreter. Administrative discretion is also necessary in deciphering democratic constitutional or regime values, and requires decency and morality on the part of those responsible, presupposing that the administrator holds the values of the people foremost in
consideration (Rohr, 1989). As a way of ensuring this, training for administrators should include a consideration of the ethics required to recognize and respond “…to the values of those in whose name and for whose benefits one governs” (Rohr, 1989, 51). Although theoretically sound, such suppositions that administrators maintain ethical responsibility are the basis of this exploration into the accountability of nonprofit organizations—an assumed morality refuses to ask the questions necessary to holding people responsible and answerable.

According to the Josephson Institute for the Advancement of Ethics, accountability is listed as “one of the ten fundamental ethical values” (Lawry, 1995, 173). Accountability, according to Lawry (1995) equates to answerability. Yet, a survey of nonprofit organizations seeking to examine internal ethical considerations found “…there is no institutional mechanism in place to seek guidance on ethical issues; no vehicle for employees to pursue ethics advice” (Martinez-Carbonell and Meyers, 2004, 4). This dilemma may rest on the belief that nonprofits are inherently “good” organizations run by people with “good” intentions—and therefore not in need of investigation. Nevertheless, because of issues of public trust, and an increasingly diminished sense of integrity sector-wide, nonprofits are facing “a veritable crisis of legitimacy” (Salamon, 2001, 428) and must begin to consider the ethical issues inherent to nonprofits. If the nonprofit sector is to increase perceptions of accountability, the interconnections between accountability and ethics must be further addressed, as the two concepts are certainly intertwined (Schene, 1991). The dearth of literature on nonprofit ethics is notable based on the sector’s historical interest in the topic, as well as the intense focus on ethics in business and government (O’Neill, 1992). In fact, focusing on concrete perspectives of accountability such as
finances and government regulations may at the same time remove ethical issues from scrutiny, while also encouraging nonprofits to either exaggerate or evade the truth of a matter.

**Forms of Accountability**

**Financial**

Financial accountability is the most concrete, distinct and understandable form to be considered in a study of organizations and their functions. Of the few reporting mandates handed down to nonprofits, the filing of Internal Revenue Service form 990 is required of all nonprofits with annual receipts of $25,000 or greater. Because of laws concerning public access to information, nonprofits must make the information included on the 990 available to the public upon demand. In response to access laws, GuideStar, an independent nonprofit, established its website, www.guidestar.org, to publish information for thousands of nonprofit organizations. So, such information is easily accessible and readily available. Nevertheless, some researchers have pointed out that the quality of the data provided in 990s is often unreliable (Pollack and Lampkin, 2001). If the IRS maintained a greater interest in the functioning of nonprofits, information contained within the 990 could be used “…to review an organization’s revenue base, source of revenues, fund-raising methods, lobbying expenditures, and major salary and benefit expenditures” (Block, 2001, 154), yet, because the IRS does not collect taxes from nonprofits, little attention is paid to verifying the accuracy of the data contained therein (Salamon, 2001). In addition, since nonprofits are aware of the lack of scrutiny, and since 990s are the documents often requested by funders, nonprofits may actually portray their finances as
different from actuality (Keating and Frumkin, 2003). Such action may be intentional or unintentional, as information required on 990s is somewhat unclear. For example compensation reporting on 990s can be ambiguous in that nonprofits have not been required to report a clear breakdown of executive benefits such as expense accounts, bonuses, and deferred compensation (Evans, 2005). Even though excessive compensation is an issue commonly addressed, what constitutes compensation is not clearly defined.

Some issues regarding the financial accountability of nonprofits may be changing as nonprofits are beginning to behave more like for-profit corporations. Customers or constituents who pay for services may be more likely than those who do not pay to “hold organizations accountable by providing direct feedback, expressing their complaints publicly, or taking their business elsewhere” (Dees and Anderson, 2003, 20). Thus the voice of the consumer may eventually have an impact on factors such as the delivery of services and the documentation and presentation of financial information. Additional required financial reporting includes an independent annual audit—which, although accuracy here should be guaranteed—provides “…primarily historical numeric data and generally lacks qualitative information within such areas as risk management philosophy, management styles, and control procedures…” (Lake, 1997, 61) and it is not uncommon for presentations of the 990 and audited financial statement to differ (Keating and Frumkin, 2003).

**Performance Measurement**

Measuring the performance of most nonprofit organizations is a daunting and difficult task, yet is it one of the most important aspects of accountability. Depending on
the nature of the nonprofit, much of the work to be done is more subjective than objective – and often lacks concrete measures of accomplishment or success. In an exploration of the accountability of public service workers, it was found that managers use tools such as operating manuals, performance audits, and the creation of specific objectives in an attempt to restrict the discretion of workers but:

…it is relatively easy for workers to tailor their behavior to avoid accountability. For one thing, they are likely to be the source of information management receives concerning their performance. They are fully able to provide information about the presenting situation that makes the action taken appear to be responsive to the original problem when it may not have been. (Lipsky, 1980, 163)

Managers may not be aware that they are receiving altered information, complicating the problem even further.

Despite the inherent difficulties of measuring this work, since the advent of the Government Performance and Results Act (GPRA), the government has imposed more stringent reporting requirements on nonprofits with government contracts (Salamon, 2003). With the expansion of the privatization of publicly funded services, this trend has added to the burdens of already stretched nonprofit organizations. Other authors disagree that reporting requirements have expanded, and present the argument that government monies are rarely accompanied by demands for regulation or accountability standards (Smith, 2003). And still others suggest that it is the responsibility of the nonprofit sector itself to develop and impose such standards: “If the obligation of public reporting applies in the nonprofit sector, then the field of nonprofit studies needs to develop a normative and empirical theory of public reporting to parallel the one that evolved in the development of the discipline and practice of public administration” (Lee, 2004, 180).
Whether measures are required or not, since nonprofits may be able to anticipate what desired results are expected, and with the knowledge that funding depends on performance, they have an incentive to avoid reporting their shortcomings (Whitaker et al, 2004). Performance measurement may actually encourage organizations to distort the truth and often “…the financial consequence is positive, not negative. The larger I can make the problem, the more attention I draw to it, hence to my organization whose mission is to address the problem” (Raymond, 2004, 79). Thus, nonprofits that are most successful may be those who paint the most convincing picture of a need—whether or not that need is a reality. In addition, measures may not exist for demonstrating the actual worth of a program and “A nonprofit can survive, even thrive, and yet be very inefficient and ineffective in creating social value and serving its mission. In the absence of reliable impact measures, a common condition, who would know?” (Dees and Anderson, 2003, 26). Efficiency and effectiveness remain elusive not only due to lack of performance measures, but also because of variances in the ways services are measured. Some nonprofits may report services provided for a one-time interaction, while other may report ongoing, extensive service, and yet each client might only be counted as “one” (Pollack and Lampkin, 2001). Determination of what is measured and how that data is reported presents only one aspect of the complicating factors required of nonprofit accountability.

Evaluation of the organization may function as a substitute for the competitive nature of a free market system (Szanton, 1993), although without the other factors of self-interest by owners and bottom-line profitability, nonprofits are unable to demonstrate their trustworthiness (Herzlinger, 1996). One suggestion for determining the value of difficult to measure factors is to include the clients of nonprofit service providers in the evaluation
process (Schene, 1991). Disclosure of such findings to other constituents such as the
general public, clients, and the board would help with comparisons, and would also help to
ensure that the organization is remaining on target and achieving its objectives (Herzlinger,
1996). Annual reports are often published in order to distribute information to stakeholders
and the public but “…most annual reports lack specifics about finances and rarely mention
projects that failed” (Brody, 2002, 492). As such, this serves as another example of a
measure of accountability in need of further attention.

Effective performance measurement depends on effective leadership, as well as
governance (Campbell, 2002). The executive director must be accountable for delivering
accurate information to the board, who in turn must be accountable for assessing the quality
and quantity of the information presented.

Boards of directors of nonprofit organizations are the clearest, most direct and
crude force for accountability. It is both the group held accountable for
organizational performance and behavior as well as the group best situated to
ensure that the operations of the organization’s management and staff are in
keeping with the organization’s purposes and follow sound principles of
stewardship. (Schene, 1991, 89)

Through the governing mechanism of the board, nonprofits are in a position to
monitor their actions and systems more than outsiders could (Young, 2002), thereby
creating an environment of greater integrity and accountability. But myths of accountability
are not only tolerated by nonprofit organizations, they are also promulgated by some
corporate boards. One of the dangers of relying on the board as holder of accountability is
that many boards are the captive audience of the CEO (executive director). Monks and
Minow (1991) point out that board members are selected by management and informed by
management, therefore any information they receive is filtered through the CEO. Hence,
their accountability will be limited by their levels of interaction and questioning. Yet, many
boards overlook their governance duties, thereby tolerating and possibly encouraging a lack of accountability.

*Legal*

Of the various forms of accountability addressed in this review, legal accountability is in some ways the most the distinct, and in other manners the most vague. As discussed earlier in the recounting of theories of accountability, legal issues are often open to the discretion and interpretation of the administrator (Cooper, 1990), under the guise of consistency, meaningfulness, and responsibility (Terry, 2003). The discretion of the administrator weighs heavily on the organization’s accountability, as many key stakeholders such as clients have no authority to hold the organization to legal standards (Chisolm, 1995). Furthermore, legal accountability is interpreted differently for different parties, noted here in a discussion of the pitfalls of privatizing government services:

> In a constitutional democracy, a major societal value is the idea that public officials should be held accountable for their actions to elected officials and through these officials to the public. When a public function is assigned to a private entity, usually through a contract, there is an inevitable weakening in the lines of political accountability. . . . A high percentage of instances of corruption that have occurred over the two centuries of American administrative history has involved contracts with private providers to perform a public service. (Moe, 2004, 473)

Yet “…legal accountability is but a part of accountability. Some aspects of accountability cannot be the subject of legal rules. Matters of appearance and reputation cannot be effectively addressed through legislation” (Chisolm, 1995, 151). As such, clients may have no legal grounds for calling the organization to task for an issue, but they may have significant influence on the reputation within the community. Care of an organization’s reputation rests upon the entire cadre of stakeholders—including the board and the
executive director. Without adequate policing, an organization may appear to be upholding its legal responsibilities while neglecting other facets of accountability.

Although fiduciary duties are outlined by federal IRS guidelines, the legal requirements of nonprofits vary by state.

The responsibility of enforcing nonprofit law generally rests solely with the state attorney general, whose task is to protect the public interest. Unfortunately, the monitoring of nonprofits is frequently understaffed and lowly prioritized, given the many tasks that the attorney general’s office must juggle with limited resources and time. Thus, nonprofit law is empty rhetoric in many respects, including the laws governing the fiduciary duties of directors. Nonprofit directors are given the privilege of acting essentially “free from supervision,” which allows them greater leeway to breach their fiduciary duties. (Lee, 2003, 933)

Until nonprofit legislation becomes more clear and exacting, organizations remain free to interpret laws as they see fit, and to provide information in the manner they choose. Whether that information can be trusted is currently a matter of judgment and guess-work. Lee (2004) suggests that “If the constitutional and legal requirements for government are transparency, then the likely counterpart obligation for the nonprofit sector is translucency” (177). If, by definition, translucency means “a partial transparency” (Webster’s Third New International Dictionary, 1981, 2429) then this still may not be enough to ask of the nonprofit sector.

Suggestions for Improving Accountability

The number of nonprofit organizations in the United States continues to grow at the same time that public trust has diminished and funding has become more restricted. In response, nonprofit organizations must improve their standing in communities by clarifying their purposes, demonstrating performance, and reestablishing credibility and reputations. Researchers in the field of nonprofit accountability continue to address how these changes
might occur, but most agree that increased visibility and transparency will help. Other suggestions include: creation of improved internal management and governance, development of more stringent IRS 990 requirements, availability of information to the public along with explanation of the relevance of that information (Keating and Frumkin, 2003). Distribution of such information can come through annual reports, although publication of these is often inconsistent. The use of theories and models may also facilitate better understanding of accountability structures (Lake, 1997), and could be developed to foster community involvement in the rebuilding of public trust.

Indeed, the standards by which nonprofits are held to account need to be revisited and increased to include minimum levels of excellence (Chisolm, 1995) instead of tolerance for less acceptable work. Communities must work together to ensure that the provisions of nonprofits are meeting the needs of the clients served, and that projects are actually contributing to community goals (Campbell, 2002). Returning to the historical roots of the nonprofit sector may be useful in aiding the movement toward accountability—the sector was based on the faith that good people were producing programs and services for the good of the rest of the people. If nonprofits are to return to their place of honor and service, they must return a reason for believing to the people.

Performance Appraisal

This section examines the subject of performance appraisal from a number of different perspectives. First, terminology, methods, tools, and processes will be defined and explored; second, resultant issues such as perceptions, attitudes, politics, and accuracy will be addressed; third, literature specific to corporate executive appraisal will be reviewed;
and finally, the limited research that exists specific to evaluating the performance of nonprofit executives will be examined. By drawing together factors from these various sectors and areas, the resultant compilation will help illuminate the problems encountered in attempting to conduct effective performance appraisals for nonprofit executive directors.

Methods, Tools, Systems

Performance appraisals, also referred to as evaluations, take many forms. Based on the systems employed, appraisals may be subjective or objective, they may be well defined or poorly defined, appraisers may be prepared or untrained, and bias may or may not be a factor. Daley (2003) breaks performance appraisal techniques into three categories: subjective instruments, interpersonal comparisons, and objective instruments. (See Figure 1). Subjective instruments include the essay format, graphic rating scales, and checklist or forced choice appraisals. Interpersonal comparisons, which can be either subjective or objective, include ranking employees, and the creation of forced distributions. Objective instruments employ such techniques as the Behaviorally Anchored Rating Scales or Management by Objectives (Daley, 2003). Components of each of these techniques are found in the performance appraisal systems discussed in this section. A Venn diagram was chosen to represent the relationships among the three techniques described by Daley (2003) as the factors often overlap and intersect. Reaching the area represented by the overlap of all three factors represents an ideal to be achieved through the performance appraisal process. The ensuing sections provide examples of criteria that fall in each of the three areas.
Common forms of performance appraisal include self-assessment; peer assessment, and multi-rater or 360 degree assessment. Each of these forms contains positive and negative aspects and each may contain components that are subjective, interpersonal, or objective.
Self Assessment

Self assessment is a common tool used to encourage employees to examine their own performance and provide a summary of tasks, projects, and accomplishments. Often self assessment is used in concert with other forms—but the reliability of results is suspect. In a study of the relationship between factors being assessed, researchers found that self assessment was not linked to leader effectiveness (Fleenor and McCauley, 1996). Another study found zero correlation between self-rating and performance, and found indications that supervisors were more accurate in predicting performance of others than in evaluating themselves (Eichinger and Lombardo, 2003). Self evaluations are often inaccurate as people try to present themselves as they believe they should be perceived (Toegel and Conger, 2003). In addition, when self-assessment was examined in place with 360 degree assessment, it was found that “…self-ratings are often inflated, unreliable, invalid, biased and generally suspect…” (Garavan, Morley, and Flynn, 1997, 141). Employees clearly want to present their work in the best light, thus potentially skewing the assessment process. Hence, used alone, self-evaluations tend to lack the reliability of other methods or systems (Flint, 1999). Those who overestimate their work are often the poorest performers, and those who rate themselves lower are often more successful, thus “Self-ratings don’t really tell much about people other than how successful they may be in the future—not because of what they say about their strengths and weaknesses as much as how their ratings compare to the ratings of others” (Eichinger and Lombardo, 2003, 38). Producing a truly objective self-assessment is nearly impossible and as such, self-rating best maintains a strong role in the appraisal process when used in concert with other techniques.
Multi-rater Assessment

Multi-rater or multi-source assessment, also known as 360 degree appraisal presents additional pros and cons. This process “…includes an opportunity to receive feedback from individuals above, below, and lateral in the organization hierarchy, as well as from individuals outside the organization” (Dalessio, 1998, 279) and its success depends on the culture of the organization as well as the preparedness of appraisers. Proponents “…argue that 360 degree feedback can build more effective work relationships; increase opportunities for employee involvement; uncover and resolve conflict and demonstrate respect for employee opinions on the part of top management” (McCarthy and Garavan, 2001, 13). Meanwhile, critics portend that the 360 degree appraisal was intended for use with employee development, and not as an appraisal technique since bias such as relationships and friendships between people may impair ratings (Garavan, Morley, and Flynn, 1997). The 360 degree appraisal is most useful when everyone participates in the feedback process or when an individual seeks personal development, but again, this is seen as separate from performance appraisal (Wimer, 2002). However, using multi-source techniques may provide a more encompassing picture of an employee’s accomplishments if the tool used demonstrates reliability as well as content, criterion-related, and construct validity (Dalessio, 1998). The process alone is not adequate without appropriate tools and preparation.

Another form of multi-source feedback is peer assessment, which although similar to 360 degree assessment, is not as broad, and again, is more useful for employee development than for performance appraisal. Because various forms of bias may skew peer assessment, this form is generally less well received by employees (Flint, 1999).
Traditional Performance Assessment

Many organizations, agencies and businesses continue to rely on performance appraisal methods whereby the supervisor evaluates the work of the supervisee. Historically called ‘efficiency ratings’ such evaluations are an attempt to follow the concepts of scientific management and provide for objective evaluations (Mosher, 1982). Such traditional evaluations are based on clear criteria for judgment, but are also criticized as often removing more human elements such as motivation and attitude (Perry, 2003). Specific measures of performance may be based on a management-by-objectives (MBO) model where employees establish annual goals and objectives and their performance is rated by a superior or supervisor according to the achievement of those goals or objectives. Such traditional systems are positive in that they are definite and objective, yet they are negative in that feedback usually comes from only one source—the supervisor or superior.

Regardless of the method chosen for the appraisal process, complications arise in preparing for and conducting the appraisal. Table 1 presents a comparison, restating the strengths and weaknesses of various forms of performance appraisal.
Table 1

Forms of Performance Appraisal

<table>
<thead>
<tr>
<th>Assessment Type</th>
<th>Description</th>
<th>Strengths</th>
<th>Weaknesses</th>
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<tbody>
<tr>
<td>Self</td>
<td>Evaluation by self—may be based on goals, objectives, or standards but does not seek additional feedback</td>
<td>Ratee has opportunity to comment on own work</td>
<td>Usually not accurate—weak employees rate themselves high, strong employees rate themselves low</td>
</tr>
<tr>
<td>“Traditional”</td>
<td>One source of feedback—but may include self-assessment</td>
<td>Rater is familiar with work of subordinate</td>
<td>Relies on input from only one source and usually does not seek outside input</td>
</tr>
<tr>
<td>by supervisor</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>360 degree</td>
<td>Multiple sources of feedback—superiors, peers, subordinates, clients/customers</td>
<td>Mandates input from multiple sources</td>
<td>Influenced by politics, relationships, and emotions</td>
</tr>
<tr>
<td>Multi-rater</td>
<td></td>
<td>Has potential to be most objective method</td>
<td></td>
</tr>
</tbody>
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Performance Categories

In addition to examining various tools or methods of performance appraisal, this discussion would be remiss if it neglected to examine the criteria by which executives are evaluated. The job responsibilities of nonprofit executive directors are vast and varied, making performance appraisal complex. To explore the priorities in nonprofit administration, studies of outside opinion leaders and nonprofit leadership were conducted separately to compare the resulting views (Light, 2002). Using the categories of leadership and internal management systems to guide the process, Light (2002) found similar results from the two groups with regard to leadership: leaders must foster open communications,
motivate people, raise funds and clarify board/staff relationships. In the area of internal management systems the two groups again agreed, although ranked their findings differently. Nonprofit leaders felt internal management systems should be ranked as follows: planning, clarifying responsibility, using the board, and tracking funds (Light, 2002). Of importance here is the fact that the leadership characteristics outlined in Light’s study are echoed in literature on for-profit leaders. Performance categories of for-profit leaders include organizational results, organizational relationships and culture, and individual and professional skills (Newman et al., 2001). A detailed model, developed by Stoessz and Raber (1994), evaluates executives based on planning, organizing, leading, controlling, and relationships. The ability to juggle multiple tasks and motivate people may also be considered (Frumkin, 2001), as well creating positive energy and generating commitment (Temkin, 1997). Newman et al (2001) suggest major areas of evaluation that include planning, human resources management, quality of services, fiscal management, compliance with regulations, advocacy, organizational promotion, and leadership ability. It is clear that certain criteria such as creating positive energy and generating commitment are more subjective than objective, and may be difficult to define distinctly as suggested by Daley (2003) in the previous section.

Perceptions, Attitudes, Politics, and Accuracy

Perceptions and Attitudes

Perceptions of the performance appraisal process as well as levels of comfort with the process have direct impact on both the rater and the ratee. Additional complications arise as many raters experience discomfort when administering performance appraisals. To
investigate the predictability of how discomfort may impact the appraiser, researchers used the Performance Appraisal Discomfort Scale (PADS) and found that discomfort was linked to rater leniency (Villanova, Bernardin, Dahmus, and Sims, 1993; Makiney, 2000). Depending on the self-efficacy of the rater, and her/his attitude toward the organization, ratings may be higher or lower than is evident in performance (Tziner, Murphy, and Cleveland, 2002). That raters may be “subjectively biased by their cognitive and motivational states” is echoed by Boyd and Kyle (2004, 251) in their examination of social justice concerns in the appraisal process. Accordingly, conducting performance appraisals with an eye toward social justice would address issues such as structural impediments and constraints toward individuals and their performance. Another study found that more conscientious raters gave performance appraisals that were not influenced by their personal beliefs and attitudes, whereas the ratings given by less conscientious raters were influenced as such (Tziner, Murphy, and Cleveland, 2002). Furthermore, raters’ levels of confidence and experience with appraisal systems lend themselves to more accurate appraisals and more positive attitudes toward the process (Tziner, Murphy, and Cleveland, 2001).

Appraisers who do not exhibit comfort with and confidence in the appraisal process are less able to be objective and accurate:

It is well documented that most individuals do not enjoy giving negative feedback and thus avoid it. As a consequence, most of us receive less negative feedback than is realistic, and the little that we do receive is often sugar-coated. This shortcoming contributes to a tendency for individuals to see themselves in an unrealistically positive light. (Yammarino and Atwater, 1997, 40)

It becomes quite clear that numerous factors influence the accuracy of performance appraisals. Levels of preparedness, comfort, and conscientiousness all play a part. Further studies found that the accuracy of performance appraisals is often questionable. According
to Longenecker and Gioia (2000), managers were often more likely to inflate employee ratings than to downgrade them. Lam and Schaubroeck (1999) found that results-focused appraisals produced less satisfaction and accuracy than did process-focused appraisals. Additional suggestions for improving the accuracy of appraisals linked the process to the accountability of the appraiser. Raters who believe they are being held accountable for their ratings tend to demonstrate more accuracy (Mero and Motowidlo, 1995). Yet, accountability is not enough: “…raters must have expert knowledge of the skills that are required for the performance being evaluated, and they must be given as many exposures to the performance as needed to provide an accurate rating” (Becker and Miller, 2002, 670). The implications for these issues suggest that appraisers should be trained in the process and should be required to justify their findings.

Certain criteria must also exist for an appraisal to be effective, to be believed, and thus to have impact on the person being reviewed. Longenecker and Gioia (1988) interviewed executives about their concerns regarding performance appraisals and found five primary sources of apprehension: lack of trust for the appraiser, ill defined job responsibilities, lack of periodic feedback throughout the year, lack of faith in the honesty of the appraiser, and awareness that politics plays into an appraiser’s perception. A great deal of research examines factors that impact the performance appraisal process. Organizational culture, the “…shared, taken-for-granted basic assumptions held by members of the group or organization” (Schein, 1992, 15), has a tremendous impact on the performance appraisal process and attitudes toward the process. Performance appraisals are more likely to be trusted if they are created and delivered in an environment of trust and
honesty. A study of factors impacting voluntary participation in performance appraisals indicated that:

…attitudes towards, and support of, performance appraisal in general, perception of consequences of performance appraisal, satisfaction with the supervisor, anticipated feedback, and awareness and knowledge of the system in place in the organisation, were important in predicting the decision to adopt or reject the performance appraisal scheme. (Langan-Fox, Waycott, Morizzi, and McDonand, 1998, 249)

Furthermore, supporters of an organizational justice theory of performance appraisal purport that appraisal is most effective and positive if those being rated believe that the systems, and hence the organization revolve around fairness and justice (Flint, 1999). To address such issues, it is suggested that employee performance be assessed “…so as to include both task and citizenship behaviors…” (Werner, 2000, 6) thus examining not only how employees perform, but also how they behave.

**Politics**

In studies of how the politics of an organization impacts performance appraisal, researchers found that as a manager rises in an organization, the quality of her/his appraisal goes down (Longenecker and Gioia, 1988). According to this line of thought, the more one advances in an organization, the more political the appraisal becomes—thus, for an executive director, politics plays a significant role in the process. Furthermore, “…external environmental variables like the legal environment, racism, classism and sexism, and variables like the culture of an organization play key roles in determining the effectiveness of performance appraisal systems” (Boyd and Kyle, 2004, 268) thus, more democratic, unbiased, and just systems need to be developed. The consequences of allowing politics to creep into the appraisal process can be detrimental to the process and may inhibit
performance, development, and outcomes, as well as promote further political undermining of the organization and thus expose the organization to potential litigation (Gioia and Longenecker, 1994). In addition, according to Pfeffer (1987) restoring rationality to a situation becomes increasingly difficult once politics has been allowed to enter into an equation.

**Accuracy**

It is clear that executives in all sectors—when they are concerned about appraisals—are concerned about the accuracy of the appraisals. Oftentimes boards are hesitant to evaluate an executive because they are afraid of bruising egos or stepping on toes. Conversely, some boards do not feel empowered, or knowledgeable enough to conduct an objective appraisal (Temkin, 1997; Stoesz and Raber, 1994). Conflicts in the literature confuse the issue even further by identifying the board and executive as equals or “colleagues” (Drucker, 1990, 9) and then by naming the board clearly superior (Eisenberg, 1997). Golensky (1993) cites other literature that concedes that a hierarchical relationship exists, as “the executive is in fact a member of the staff, albeit its ‘super-supervisor,’ and accountable to the board” (183). Whichever case is deemed appropriate by a nonprofit, a clear understanding must exist between the board and the executive. Levels of trust and respect, as well as clear guidelines must be developed to ensure communication is maintained. One of the concerns that is beginning to surface in some literature is that the executive and board may not always be forthcoming with information (Eisenberg, 1997).
One of the most common temptations of CEOs in nonprofits is to put the best face on things even, and perhaps especially, with the board. This sometimes leads to the CEO concealing or conveniently omitting negative information without which the board cannot do its job. Such restriction of information, however humanly understandable, could at times be a serious ethical violation on the part of the CEO. (O’Neill, 1992, 207)

This matter of ethics would not be a concern if leaders demonstrated some of the traits necessary to high-performing nonprofits: commitment, integrity, trust, and credibility (Light, 2002); and if it were true that, “nonprofit managers generally feel morally bound to exercise justice, honesty and fairness in their dealings with other people in the organization” (O’Neill, 1992, 205). Yet, these issues certainly impact the accuracy of executive evaluation.

Accuracy is also examined with regard to self-evaluations—a practice common in executive evaluation. According to Yammarino and Atwater (1997) poor performers tend to rate themselves more highly, and higher performers tend to under-rate themselves. In questioning whether an inflated executive director’s self-evaluation makes a difference to an organization, Eichinger and Lombardo (2003) believe the tendency to overrate is associated with poor leadership. Inaccurate self-evaluations may thus present a serious dilemma to raters who may use an executive’s self-evaluation as the basis for a performance appraisal.

*Corporate Executive Performance Appraisal*

To fully assess the literature regarding performance appraisal, it is prudent to extend this examination into the corporate world. A great deal has been written regarding guidelines and processes for evaluating corporate CEOs, and some of that information is
transferable to a consideration of nonprofit executives. Acknowledging that evaluating a chief executive presents “unique issues and challenges” (Graddick and Lane, 1998, 371) is a good starting point, as this evaluation process nearly always differs from that of other employees. Suggestions for points by which a CEO might be evaluated include external variables, and both “soft” and “hard” internal variables (Bonsignore, 1997). Others recommend factors such as integrity, vision, leadership, ability to meet goals and objectives, and relations with stakeholders and board members (Directors and Boards, 1995). Management style, consensus building, ability to delegate and empower, as well as ethics are also recognized as important issues to assess (Newman, Robinson, Tyler, and Dunbar, 2001). A number of articles addressing the performance of chief executives stress the importance of appraising the board as well, to ensure compliance (Ingley and van der Walt, 2002), as well as to clarify responsibilities (Kazanjian, 2000). This is particularly important as studies have shown “At the executive level, there often is virtually no regular performance feedback other than superficial praise or criticism for some crisis” (Longenecker and Gioia, 1992, 18). Some boards are clearly neglecting their duties—whether out of lack of knowledge, time, concern, or some other factor is not clear.

Sample appraisal questions are readily available (Bonsignore, 1997) as well as guidelines for managing the appraisal and feedback process (Graddick and Lane, 1998). Of the various models available to assess the performance of executives, one of the most popular in recent years has been the 360 degree appraisal, but even this method contains problems and is influenced by politics (Newman et al, 2001). Gibbons and Murphy (1990) present a case for Relative Performance Evaluation (RPE) which measures performance relative to others in similar positions or industries. Yet, despite the various models
available, and despite suggestions from executives themselves, a study of corporate executives found that evaluations are infrequent and unstructured, lack substance and details, and continue to be politically influenced (Longenecker and Gioia, 1994).

Nonprofit Executive Performance Appraisal

In examining the limited literature that is available regarding nonprofit executives, the difficulty with which a nonprofit executive’s performance is appraised becomes clear. Because of the very nature of nonprofits, measuring success based on an organization’s mission is not as simple as noting increased profits or productivity (Hallock, 2002). Traditionally, executives are evaluated by the board based on organizational mission and objectives (Herman and Heimovics, 1991). In order to evaluate the executive director the board must remain well appraised of how well the organization achieves its purposes (Szanton, 1993), but, “with the board operating at policy arm’s length from operations and delegating so much authority to the CEO, how can it know that its directives are being followed?” (Carver, 1997, 109). When boards operate according to traditional norms, they must remain distant. However, distance has its drawbacks as well: “Board members’ dissatisfaction with an administrator often comes from the sense that too much is occurring behind their backs” (Temkin, 1997, 17). Furthermore, boards rely on the executive director to provide information that will comprise the evaluation, so in most cases “…it is impossible for a board to evaluate the chief executive in terms of quantitative goal achievement” (Herman and Heimovics, 1991, 60). There is general agreement that it is clearly the board’s responsibility to monitor and evaluate the CEO (Pollack and Lampkin, 2001; Schene, 1991; Brown, 2000), nevertheless, this accountability function is often
overlooked (Howe, 2000). A study of nonprofit organizations found that boards were indeed lax in this area, and that only 25 percent of those studied conducted annual performance reviews (Jefferson, 1996). Although this particular study was limited in size and scope, it represents a farther reaching problem. A different study of 32 nonprofit organizations showed that boards are willing to admit their limitations in this area: “Board members perceived the following governance functions as requiring improvements…. Human Resources Stewardship: Board support for the executive director [and] its evaluation of his or her performance...” (Gill, Flynn, Reissing, 2005, 289). These studies are indicative of the difficulty with which the performance appraisal process is carried out—as evidenced through recognition of need for improvement, as well as low participation in the process.

One way nonprofit boards can ensure more effective performance appraisals may be to follow the lead of corporate America, and develop more clearly defined systems for appraisal. For example, in response to the Sarbanes-Oxley Act, nonprofits could react creatively and demonstrate accountability by using their websites to post a summary of the executive’s evaluation to evidence oversight (Peregrine and Schwartz, 2004). Steps to designing and implementing effective performance appraisal systems are readily available from various sources (Newman et al., 2001; Stoesz and Raber, 1994; Temkin, 1997) but must be adapted to each organization’s needs. Arsenault (2004) recommends a new assessment model for nonprofit leadership, including assessment by self, peers, and superiors; but this model is not directed at executive directors, rather it is aimed at management in general.
Despite the negativity and apprehension surrounding the appraisal process, some models have been developed to assuage the problem. In a 1990 publication, Michaels promulgated that evaluating the executive director was an important function of the nonprofit board. A framework for evaluation was proposed that included establishing standards, assessing performance against standards, and planning future performance (Michaels, 1990). Michaels (1990) also recognized that these steps would not resolve issues of behavioral performance, and proposed the use of behaviorally anchored rating scales (BARS). In yet another hopeful 1990 publication, the Center for Nonprofit Boards, claimed that “Assessment of the chief executive is not intrinsically difficult” (Nason, 1990, 11) and provided suggestions and guidelines for establishing and refining the evaluation process.

Yet, despite such detail as provided by Michaels and Nason, conducting the performance appraisal remains a challenge, and clearly an issue, as scandals continue to surface and organizations fail to thrive. Brinckerhoff (2004) suggests that executives actively seek input on their performance, involving multiple constituency groups. A well defined process must be established to include the board as well as community stakeholders, and criteria must be established a year in advance (Pryor, 1994). Evaluating performance can be aided by creating a healthy relationship between the board and the executive director as “…nothing is more important that a clear mutual understanding of what is expected of the leader, how her tenure as a leader will be evaluated, and how her leadership can be improved” (Nanus and Dobbs, 1999, 232).

Others suggest that part of one board meeting be set aside each year to discuss the executive’s performance (Maclean, 2004). And although this is a limited, as opposed to
ongoing plan, it avoids micromanagement while acknowledging the need to evaluate and follows the thought that “The purpose of evaluation is not criticism or policing. Its purpose is to identify where we are so that we can further plan our direction” (Michaels, 1990, 29). Guidelines for evaluating executive performance in for-profit settings are more prevalent, as well as more detailed, as evidenced by Graddick and Lane in their 1998 article.

Performance Appraisals—Overview

As discussed earlier, numerous problems or complicating factors surround the performance appraisal discussion and few appraisers enter into the process with levels of comfort, confidence and necessary knowledge. Over the last few decades, vast improvements have been made in appraisal techniques and instruments, but despite the existence of such tools, tribulations persist. According to Daley (2003) the problem is not having the ability but instead finding “…the willingness to do it” (154). The issue of politics has been addressed extensively by Longenecker and Gioia (1992; 1994; 2000) and may be one of the greatest complicating factors in the process. Because politics enters into the appraisal process frequently—especially at the level of the executive director or CEO—creating a situation that is objective, fair, and non-biased is difficult. According to the literature, there are virtually no circumstances where an executive is provided feedback on a regular basis—except with regard to superficial comments or responses to crises:

Despite the accelerating pace of change and the burgeoning demands of executive work, a good vehicle for developing executives is already in place in virtually every organization, although it is likely to be myopically overlooked or woefully under-utilized. That vehicle is a properly conducted executive appraisal and review process. Although many organizations provide for such a process it is typically executed poorly. (Longenecker and Gioia, 1992, 19)
Furthermore, the very nature of executive work is often very subjective, and thus any rating, whether positive or negative, can be justified in some way (Longenecker and Gioia, 1994). The need for creation of a comprehensive and reliable tool and system is vital to the accountability of nonprofit organizations. Nonprofits may do well to truly break with tradition and incorporate a multi-rater feedback, or 360 degree tool, into the appraisal process used for the executive director. A 360 degree executive appraisal incorporates feedback from superiors, peers, and subordinates to paint a more well-rounded picture of executive performance. Offering support for a multi-rater approach, Nanus and Dobbs (1999) found that “Some nonprofits use an annual review process to assess how staff and volunteers feel about the leader….Similarly, clients, donors, board members, and other stakeholders may be polled to assess the quality of their relationships with the leader” (230).

Newman et al. (2001) propose that in keeping with the principles of the 360 degree evaluation, “each group within the organization should provide feedback,” especially since the results will affect the entire organization (29). This method could help to alleviate the potential for an executive to keep relevant information from the board and may help to build relationships among the subordinates who often feel their input is seen as insignificant. However, other authors believe the 360-degree assessment has been stretched beyond its original intention and capacity, and is most effective when used as a development tool—especially for executives—rather than an appraisal tool (Toegel and Conger, 2003). Use of a well administered multi-source appraisal would provide the nonprofit board with a broader scope of information than is normally available and
accessible, thus enabling the board to fulfill its duty of evaluating the executive director appropriately and objectively.

Theoretical Framework—Decision Theory

Underlying nearly all of the concepts discussed so far is the construct of decision making. At every stage in the life cycle and within nearly all functions of an organization—especially the administration and governance of that organization—there arises the opportunity and responsibility to make decisions. How, when, and why decisions are made depends on the players involved in the process, as well as on the culture of the organization. An examination of decision theory is not only relevant, but also necessary to this study as the extent to which and the intent with which a board of directors evaluates the performance of the executive director revolves around a number of decisions. Although much of the decision theory literature reviewed in this study is borrowed from the public sector, its applicability to the nonprofit sector is clear.

According to Simon (1945) most people do not want to make decisions, and tend to avoid making them whenever possible. However, since decision making is necessary to management and administration, Simon (1945) suggests that decisions are influenced by both facts and values. Although facts are (hopefully) concrete and definite, values are determined by individuals and by organizations. Individuals involved in the decision making process must learn to identify their loyalties and separate personal values from organizational values:

Once the system of values which is to govern an administrative choice has been specified, there is one and only one “best” decision, and this decision is determined by the organizational values and situation, and not by the personal motives of the member of the organization who makes the decision. (Simon, 1945, 283)
Van Wart (1998) expands Simon’s concept of values by identifying five value sources in public sector decision making: individual, professional, organizational, legal, and public interest. This model helps to clarify the separation of loyalties proposed by Simon—before engaging in a process, participants must determine to which value source their allegiance lies. According to Burke (1986), in public sector bureaucracies, decisions must often remain within the realm of formal/legal responsibility, essentially taking some of the confusion from the process. “In formal-legal approaches, then, the emphasis falls on the strict obedience of the individual bureaucrat to hierarchy, the orders of superiors, and the explicit laws, rules, regulations, and procedures that these superiors and other legitimate political authorities establish” (Burke, 1986, 10). One caveat with regard to the formal/legal approach is that it limits individual discretion and “…assumes that the orders of the superiors are always legitimate” (Burke, 1986, 16). Of course this method is only applicable if such rules and procedures exist—and one of the most pressing issues encountered throughout the nonprofit sector is the lack of procedures and regulations.

Three models for analyzing the decision making process are proposed by Allison and Zelikow (1999). Model I, the rational actor, sees the organization (or its members) as making decisions based on rationality; in Model II, organizational process or organizational behavior, decisions are based on the culture of the group or organization; and in Model III, bureaucratic politics, decisions revolve around existing systems or the politics which override those systems (Allison and Zelikow, 1999). Using these models to reflect upon the decision making in nonprofit organizations poses similar issues to those discussed by Burke (1986), the rational model presupposes the existence of objective, rational behavior;
the organizational behavior model assumes a healthy culture; and the bureaucratic model
necessitates that systems and processes exist.

In addressing how individuals approach the decision making process Mosher
(1982) contends that there are two types of responsibility: objective (a definite
responsibility) and subjective or psychological (that for which one feels responsible). This
assessment, when used in concert with Van Wart’s five values, further breaks down the
decision making process—including the subjective/psychological consideration admits that
people can rarely be completely divorced from their emotions, regardless of the situation in
which they are engaged. The importance of the individual is echoed by others as well
“Since an organization has no personality, only individual members can perceive or search.
Therefore, organizational perception and search are inherently fragmentalized. Information
is first perceived by one or several members, who then must pass it on to others” (Downs,
1967, 188). Additionally, individuals must intellectualize that which is to be decided and:

Administrators must also develop skill in thinking about ethical problems, toward
the end of creating a working professional ethic of their own. Without cultivating
this ability to theorize and generalize from experience, no public administrator can
transcend the boundaries of particular events to comprehend and assess them.
(Cooper, 1990, 2)

Cooper’s suggestions that administrators develop their own theories from their
experience is particularly relevant in the nonprofit sector where few theories and healthy
generalizations are evident. As was seen earlier in this study, much of the learning and
decision making practices that have developed within the nonprofit sector came about as a
result of practical, hands-on experience. The idea of creating ones own theories also
responds to Downs’ (1967) contention that organizations are reluctant to change as change
requires modification in behavior patterns: “…the costs of readjusting behavior patterns
create a certain discontinuity of behavior at the level to which an organization or individual
has become accustomed. This characteristic is commonly known as inertia” (174). Once
those responsible for an organization become comfortable with practices and procedures
they are often reluctant to change. Furthermore, people and organizations don’t tend to
make decisions until an issue arises that demands action (Downs, 1967). This is reflected
in the literature on nonprofits and accountability, until incidents of corruption and
malfeasance became public, many people maintained a blind faith in the good of the sector
and neglected to ask for strict accounting standards and reporting procedures. Thus,
involving individual members in the intellectualization of how decisions are made may
actually strengthen the process.

The actual decision making process should take into consideration historical
evidence as well as future intention. According to Barnard (1968), “The ideal process of
decision is to discriminate the strategic factors and to redefine or change purpose on the
basis of the estimate of future results of action in the existing situation, in the light of
history, experience, knowledge of the past” (209). Factoring in multiple issues, as
suggested by Barnard, presents a fairly scientific approach to decision making.
Conversely, Lindblom (2004) contends that a less precise method of “successive
comparison” is commonly used. Successive comparison is an informal assessment of what
existed and how well it worked, compared to a proposed plan and the results anticipated or
projected for that plan. This model purports to be “…superior to any other decision-making
method available for complex problems in many circumstances, certainly superior to a
futile attempt at super-human comprehensiveness” (Lindblom, 2004, 186) as it is realistic
and based on experience. Still, there is room for improvement:
But by becoming more conscious of their practice of this method, administrators might practice it with more skill and know when to extend or constrict its use. That they sometimes practice it effectively and sometimes not may explain the extremes of opinion on “muddling through,” which is both praised as a highly sophisticated form of problem-solving and denounced as not method at all.” (Lindblom, 2004, 186)

Ironically—and with its pros and cons, it is probably Lindblom’s (2004) method that is most common in the nonprofit sector.

Such theories of decision making must be considered in assessing the nonprofit sector and the phenomenon of appraising the performance of the executive director. Boards of directors of nonprofit organizations are faced with numerous decisions—yet do they make those decisions objectively, or subjectively, or do they rely on the suggestions of the executive director? What is the intention of the board as it makes decisions, and how are those decisions made? Through this review of the literature on decision making theory, it is evident that there are many avenues by which decisions are made—and many factors that may or may not be considered in each decision making process. Nonprofit boards could benefit from exposure to an intellectual approach to decision making. As it becomes more clear that eventually the nonprofit sector will be subject to higher and more exacting standards of accountability, board members may heed the advice that “A decision to take no action is, in fact, a decision about personal responsibility” (Cooper, 2004, 5). Increased involvement in the decision making process, along with a clear separation of personal and organizational values, will enable those responsible to make more effective decisions.

Summary of Literature

This review of the literature has examined the functioning of nonprofit organizations from a number of different angles and sought to explore the complexity with
which nonprofits are managed and governed. As has been demonstrated in this review, administration, governance, accountability, and finally performance appraisal are topics and issues that are intricately intertwined within the nonprofit sector. Separating these issues is difficult, if not impossible, and creating research that combines the four areas will add to the literature relevant to nonprofit effectiveness. The inclusion of decision theory adds a further dimension that allows for a deeper exploration into the topic of the accountability of the nonprofit executive director.

The study of nonprofit administration has advanced much in recent years, yet many nonprofits—because of their small stature or limited resource base—have not reaped the benefits available through research and development. Furthermore, the freestanding and often competitive nature of many nonprofit organizations may preclude the sharing of information and best practices, but nonprofits may benefit from occasionally garnering theory and practice from the public sector.

Nonprofit governance has also received much attention, and many books and journals have published information on board development and board effectiveness. Nevertheless, nonprofit boards, like administration, are often absorbed in their own issues and fail to seek outside assistance and growth opportunities, thus limiting themselves in their ability to function objectively.

The issue of the accountability of nonprofit organizations along with staff and board members, has become extremely relevant and both nonprofit and corporate scandals have brought attention to the potential for misdeeds. Theories of accountability exist and areas of practice continue to evolve that offer suggestions for how nonprofits can improve their levels of accountability. National nonprofits such as the Independent Sector and the
Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA) provide websites with models and tools such as an interpretation of the Sarbanes-Oxley Act to help nonprofits improve their standards and increase their accountability.

An in-depth exploration of the area of performance appraisal provided illustrations of the complexities involved in every aspect of attempting to measure and evaluate the performance of an executive director. Of the tools examined, each holds strengths and weaknesses, and none provides complete answers to the complex issues involved.

And finally, the glance at various theories of decision making helps to illuminate some of the problems faced by nonprofit organizations and boards. Making decisions is a difficult and uncomfortable process that is avoided whenever possible. Administrators and directors must begin to intellectualize the process of decision making in order to maintain the values inherent in each decision—they also must separate themselves and their emotions from the roles they hold with the organization.

Based on this review, gaps in the literature are evident, and pulling together theories and issues from each of these areas highlights the need for development of effective and objective performance appraisal systems. The purpose of this research is to conduct a practical exploration of practices and to gain various perspectives as to the effectiveness of these practices. It is hoped that through this process a system may be identified that will enable nonprofit administration and governance to convey and evaluate information clearly, honestly, and objectively.

This review of the literature illustrates the myriad issues and events that complicate and confound conducting performance appraisals of nonprofit executive directors as well as tying the concept in with the accountability of organizations. This research study explores
the phenomenon by surveying nonprofit organizations and attempting to establish relationships between various organizational practices and procedures. The resultant exploratory and descriptive analysis provides insight into the issue explored in this study: What is the intention (or purpose) of appraising the performance of the nonprofit executive director and is a performance appraisal conducted? Using methodology described in Chapter Three, the following questions will be examined:

1. Is there a relationship between the size of a nonprofit organization and whether a performance appraisal is conducted?

2. Is there a relationship between the maturity (age) of a nonprofit organization and whether a performance appraisal is conducted?

3. Are organizations affiliated with or chartered by a larger or national organization more likely to conduct a performance appraisal of the executive director?

4. Are organizations with a standardized performance process in place more likely to conduct a performance appraisal of the executive director?

5. Are organizations with board members and/or executive directors who believe the intention or purpose of the performance appraisal process is to help document the accountability of the organization more likely to conduct an evaluation of the executive director?

6. Are organizations with board members who question the accuracy and thoroughness of information provided by the executive director more likely to conduct performance appraisals of executive directors?

7. Are organizations with board members and/or executive directors who believe the performance appraisal procedure currently used by the organization is effective and accurate more likely to conduct performance appraisals of executive directors?

8. Are organizations with board members and/or executive directors who believe the organization needs a better method to evaluate the performance of the executive director less likely to conduct a performance appraisal?

9. Are organizations with board members and/or executive directors who have higher levels of experience with performance appraisals more likely to conduct performance appraisals of the executive director?
10. Are organizations with board members and/or executive directors who have lower levels of discomfort with performance appraisals more likely to conduct performance appraisals of the executive director?
CHAPTER III
RESEARCH METHODOLOGY

The examination of the processes used to evaluate the performance of a nonprofit executive director, and the documentation of the beliefs and perceptions associated with those processes requires a descriptive and exploratory study. Because no existing models or frameworks for measurement were found, this study was created to describe practices and interpret those based on the literature and study of nonprofit organizations and performance appraisal as well as on the theoretical frameworks of accountability and decision making. This chapter examines the practices, procedures, and purposes for conducting performance appraisals of nonprofit executive director.

Sample

The range of the survey was geographically limited to Summit County, Ohio because of the accessibility of information within that region, as well as the anticipated difficulties of expanding the survey beyond those boundaries. According to the National Center for Charitable Statistics in 2004 there were 1,397,263 nonprofit organizations in the United States and 59,552 in Ohio (http://nccsdataweb.urban.org/PubApps/profile1.php), thus the sheer volume of existing organizations mandates the creation of geographic constraints or other parameters.
According to the Center for Nonprofit Excellence in Akron, as of November 2004, there were over 1754 nonprofit organizations in Summit County, Ohio. Parameters were determined to eliminate extremely small organizations as limited budgets would preclude the existence of a paid executive director. In addition, it was determined that since churches are exempt from certain reporting procedures, establishing applicability would not be possible. Therefore, survey questionnaires (see Appendix A) were distributed to the population of nonprofits with annual operating budgets over $25,000, and that are not churches so that a representative sample could be drawn as it was anticipated that response rate would be low. Brink and Wood (1998) address the issue of sample size in a descriptive design as such:

The ideal sample for a descriptive design is either a total available population...or a sample drawn by means of probability sampling....When the purpose of the study is simply to describe the characteristics of a particular group of people using a sample from the target population, external validity is of importance to the design....external validity can become an issue in a total population study if the rate of refusal to participate is high. (292)

Therefore, to increase the probability of a representative sample, distribution of surveys to the entire population of nonprofits (as described) was attempted. The elimination of organizations that are churches or have budgets of $25,000 and under provided a remainder of 488 organizations meeting the sampling criteria.

Design and Procedures

A descriptive design was used and sought to include "the complete description of a single broad variable or concept within a given population. The variable should be either unstudied or understudied in [the] population" (Brink and Wood, 1998, 289). A descriptive design was chosen as the most appropriate method as little research exists with regard to
the performance appraisal of nonprofit executive directors. The phenomenon is essentially unstudied or understudied as described by Brink and Wood (1998). In addition, a descriptive design is most appropriate and useful for collecting and describing the demographics, factors, and characteristics of the people and organizations that make up the population of interest. The dependent variable in this study is, “Is a performance appraisal conducted for the executive director?” The intention of the study is also to examine, “What is the intention (or purpose) of appraising the performance of the nonprofit executive director and is a performance appraisal conducted?”

Institutional Review Board (IRB) approval was obtained for the project (see Appendix B), and a letter of introduction accompanied each survey (see Appendix A), assuring participants of the anonymity of the survey process. No names or identifying information were requested in the questionnaire, to further ensure anonymity, and strict confidentiality was maintained for any information obtained through the documentation.

The survey technique was cross-sectional as it examined the population of interest at one particular point in time, and was not longitudinal. As this was an exploratory and descriptive design, it sought only to describe the characteristics present in the population being studied—no intervention was added, and no causal relationships were tested. Relationships between specified variables were tested using cross tabulations and Chi-square analysis.

Surveys were addressed to the executive director, the president of the board of directors, as well as to one other board member of each organization. Separate and distinct surveys were addressed to executive directors and to board members. Letters of
introduction, explaining the purpose and intent of the survey, were sent out with the survey. Self-addressed, postage paid envelopes were included for returning the survey.

Along with the surveys, respondents were asked to submit copies of performance appraisal forms, a job description for the executive director, and any other relevant information documenting the organization’s performance appraisal process. The purpose of the documents was to triangulate information obtained through the survey process and to provide additional insight into the performance appraisal process and the intentions and perceptions attached to that process.

Follow-up, or reminder postcards were mailed after three weeks to foster participation and return rate. In addition, the United Way of Summit County as well as the Center for Nonprofit Excellence sent email notices encouraging nonprofit organizations to participate in the survey process.

Instruments and Measures

Data collection was done through the use of two questionnaires designed specifically for this study (see Appendix A). In addition, documents and artifacts (copies of appraisal forms, guidelines for the appraisal process, etc.) were used to triangulate and validate the self-reported information that was collected through the use of the questionnaire. According to Brink and Wood (1998), "There are two standard measures of ensuring the reliability and validity of data in descriptive studies: (a) the use of repeated interviews over time on the same participant and (b) the use of observations in conjunction with interviews" (299). This study used observation or analysis of artifacts—collecting data from existing organizational data—as an unobtrusive method of increasing the
reliability and validity of information in addition to that obtained via the questionnaires. One of the concerns in this study was the possibility of responses being incorrectly reported due to "social desirability" (Brink and Wood, 1998, 299) as executive directors and/or board presidents may have answered questions the way they think questions should have been answered. An additional concern was that one disadvantage of using a survey method of data collection is that the amassed information may be fairly superficial (Knapp, 1998).

Survey Design

Surveys were designed in response to the literature—based on factors that describe nonprofits and the governance and administration of organizations, explain the performance appraisal process, and explore the intention or purpose with which the process is undertaken. The questionnaire distributed to executive directors comprised 36 items, which included demographic questions. The questionnaire distributed to board members included three additional questions regarding the intention of conducting a performance appraisal. Questions on the survey were divided into specific categories and labeled as such. The first section, Organizational Information/Demographics, included questions about the organization’s size, age, type, board composition, and national affiliation. The second section, Personal Demographics, requested information describing the respondent—age, gender, educational attainment, and tenure. Executive Director Performance Appraisal Information, the third section, included questions specific to the performance appraisal process: Who administers the performance appraisal, how often is it conducted, is the process standardized, as well as what format is used for the evaluation were included.
The final section of the survey, Perceptions/Attitudes/Beliefs, included questions delving into the purpose and intention of conducting a performance appraisal.

The questionnaire was composed mainly of closed-ended questions, but a number of questions included a choice of “other” with the opportunity for description or explanation. This was included as it was anticipated that some respondents would not be familiar with the terminology employed—although every attempt was made to present questions in a simple manner and to define the terms used. Most items used a Likert-type scale, although a few items required descriptive answers for additional clarification and explanation.

The questionnaire was pre-tested to determine face and content validity (Brink and Wood, 1998). This was done by conducting a limited pilot test to ensure that questions were clear and relevant. The pilot test was conducted with a focus group of 11 local experts in the nonprofit field. Focus group members were identified and recruited through their participation in Leadership Akron, or involvement with activities conducted by the Center for Nonprofit Excellence, various boards, the United Way or The University of Akron. Members of the focus group included executive directors, foundation employees, academics, and board members. Focus group members were asked to read and complete the survey—analyzing each question and potential response for clarity and relevance. Questions were then reconfigured or rewritten as necessary to respond to the concerns and findings of the focus group.
Data Analysis

Quantitative data were analyzed using SPSS. Data were coded for consistency, logic and ease of interpretation and open-ended questions were grouped appropriately (Folz, 1996). Data from the additional documents that were provided were coded and grouped to facilitate ease of interpretation. Data were analyzed using content analysis, “...separating the answers to each question into mutually exclusive categories of similar content” (Brink and Wood, 1998, 300). Supporting documents were divided into topical categories and information was summarized and condensed for analysis (see Table 8).

In response to the research questions “Is a performance appraisal conducted?” and “What is the intention (or purpose) of appraising the performance of the nonprofit executive director and what guidelines or procedures exist to conduct the evaluation?” initial data analysis employed descriptive statistics including frequency distribution and percentages. A frequency distribution was prepared for each variable to count the number and/or percentage of occurrences in each category. Due to the exploratory nature of the survey, most responses provided nominal-level data. In an attempt to discover whether the phenomenon of performance appraisal is indeed occurring with any regularity and what factors may relate to this phenomenon, cross tabulations and Chi-square analyses were run to determine if there were relationships between the variables and if certain characteristics were associated with certain outcomes (Giventer, 1996). Findings and data analysis are presented in Chapter Four.
CHAPTER IV
RESULTS AND ANALYSIS

This study explores and describes the phenomena of nonprofit executive performance appraisal. Surveys collected data on demographics as well as practices and the purpose or intention of those practices. Additional data were collected through supporting documentation that was returned with the surveys. The primary research question “Is a performance appraisal conducted?” along with additional questions will be addressed in this section through the presentation of descriptive statistics as well as Chi-square analyses to determine the likelihood that variables are related.

Results

Surveys were mailed to 488 nonprofit organizations that had annual operating budgets of at least $25,000 and were not churches. Distribution of surveys included the entire identifiable population of nonprofit organizations in Summit County, Ohio that met the criteria described above. Surveys were directed to board members and executive directors of each organization, and the actual number of surveys distributed was 976. One hundred and fourteen surveys were returned. Of those returned, 41 were from board members and 73 were from executive directors or staff. Although it was impossible to determine exact organizational representation (due to the anonymity of the survey), it is
estimated that responses represent approximately 80 different organizations. Since the nature of this study was exploratory and not purely quantitative, benchmarks such as response rate and total number of responses were deemed not determinative of overall results.

Table 2 shows the demographics of the respondents including age, educational attainment, tenure with the organization, and tenure with nonprofits in general. The demographic data obtained through this survey provide an interesting picture of the nonprofit sector in the geographic area surveyed. Of the total 114 responses, data from the position question indicated that 64% were executive directors or staff representatives, and 36% were board members. The split between gender of respondents was nearly identical with 50.5% female and 49.5% male. Of the organizations responding, 57.3% reported that the board president as male, while 42.7% reported female. The variable for age of respondent indicated that 90.3% were 40 years of age or older. Educational attainment showed that 41.1% of board respondents and 55.5% of the executive directors had at least a masters degree or a doctorate, and that 87.3% of all respondents had at least a four year college degree. Furthermore, those variables regarding tenure of work in nonprofits demonstrated that 96.5% of respondents have 6 or more years of involvement, either as a volunteer or paid staff member, in nonprofit organizations. The fact that 75% of respondents had six or more years of experience with their particular organizations should also be noted. Implications of this statistic may be positive or negative—the longevity represented by the 75% may demonstrate continuity which may contribute to the existence of systems and procedures, but this tenure may also prohibit change or openness to new ideas.
<table>
<thead>
<tr>
<th>Variable</th>
<th>Composite % total response</th>
<th>Board %</th>
<th>Executive Director %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>female</td>
<td>50.5 (56)</td>
<td>40.0</td>
<td>56.3</td>
</tr>
<tr>
<td>male</td>
<td>49.5 (55)</td>
<td>60.0</td>
<td>43.7</td>
</tr>
<tr>
<td>missing</td>
<td>(3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>under 30 yrs</td>
<td>0.9 (1)</td>
<td>0.0</td>
<td>1.4</td>
</tr>
<tr>
<td>30-39 yrs</td>
<td>8.8 (10)</td>
<td>0.0</td>
<td>13.7</td>
</tr>
<tr>
<td>40-49 yrs</td>
<td>15.9 (18)</td>
<td>12.5</td>
<td>17.8</td>
</tr>
<tr>
<td>50-59 yrs</td>
<td>49.6 (56)</td>
<td>57.5</td>
<td>45.2</td>
</tr>
<tr>
<td>60 and over</td>
<td>24.8 (28)</td>
<td>30.0</td>
<td>21.9</td>
</tr>
<tr>
<td>missing</td>
<td>(1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level of education completed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>high school</td>
<td>0.9 (1)</td>
<td>0.0</td>
<td>1.4</td>
</tr>
<tr>
<td>some college</td>
<td>5.4 (6)</td>
<td>2.6</td>
<td>6.9</td>
</tr>
<tr>
<td>two year college</td>
<td>5.4 (6)</td>
<td>5.1</td>
<td>5.6</td>
</tr>
<tr>
<td>four year college</td>
<td>36.9 (41)</td>
<td>51.3</td>
<td>29.2</td>
</tr>
<tr>
<td>masters</td>
<td>41.4 (47)</td>
<td>30.8</td>
<td>47.2</td>
</tr>
<tr>
<td>doctorate</td>
<td>9.0 (10)</td>
<td>10.3</td>
<td>8.3</td>
</tr>
<tr>
<td>missing</td>
<td>(3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Position</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>board president</td>
<td>17.5 (20)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>other board</td>
<td>18.4 (21)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>executive director</td>
<td>57.0 (65)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>other staff</td>
<td>7.0 (8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tenure in current position with org.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>under 5 yrs</td>
<td>44.6 (50)</td>
<td>64.1</td>
<td>34.2</td>
</tr>
<tr>
<td>6-10 yrs</td>
<td>25.0 (28)</td>
<td>15.4</td>
<td>30.1</td>
</tr>
<tr>
<td>11-15 yrs</td>
<td>9.8 (11)</td>
<td>10.3</td>
<td>9.6</td>
</tr>
<tr>
<td>16-20 yrs</td>
<td>6.3 (7)</td>
<td>5.1</td>
<td>6.8</td>
</tr>
<tr>
<td>over 20 yrs</td>
<td>14.3 (16)</td>
<td>5.1</td>
<td>19.2</td>
</tr>
<tr>
<td>missing</td>
<td>(2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tenure with organization (total)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>under 5 yrs</td>
<td>25.0 (28)</td>
<td>28.2</td>
<td>23.3</td>
</tr>
<tr>
<td>6-10 yrs</td>
<td>26.8 (30)</td>
<td>23.1</td>
<td>28.8</td>
</tr>
<tr>
<td>11-15 yrs</td>
<td>17.9 (20)</td>
<td>25.6</td>
<td>13.7</td>
</tr>
<tr>
<td>16-20 yrs</td>
<td>8.9 (10)</td>
<td>5.1</td>
<td>11.0</td>
</tr>
<tr>
<td>over 20 yrs</td>
<td>14.3 (24)</td>
<td>17.9</td>
<td>23.3</td>
</tr>
<tr>
<td>missing</td>
<td>(2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tenure in nonprofits (total)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>under 5 yrs</td>
<td>3.5 (4)</td>
<td>2.5</td>
<td>4.1</td>
</tr>
<tr>
<td>6-10 yrs</td>
<td>20.4 (23)</td>
<td>25.0</td>
<td>17.8</td>
</tr>
<tr>
<td>11-15 yrs</td>
<td>14.2 (16)</td>
<td>7.5</td>
<td>17.8</td>
</tr>
<tr>
<td>16-20 yrs</td>
<td>8.8 (10)</td>
<td>5.0</td>
<td>11.0</td>
</tr>
<tr>
<td>over 20 yrs</td>
<td>53.1 (60)</td>
<td>60.0</td>
<td>49.3</td>
</tr>
<tr>
<td>missing</td>
<td>(1)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

valid percent reported, Total N = 114
Table 3 provides the demographics of the organizations represented in this study—including size (represented by budget), type, and age of organization.

Table 3

Demographics of Organization

<table>
<thead>
<tr>
<th>Variable</th>
<th>Composite % total response (n)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Operating Budget</strong></td>
<td></td>
</tr>
<tr>
<td>less than $100,000</td>
<td>14.3 (16)</td>
</tr>
<tr>
<td>$100,000 - $499,999</td>
<td>26.8 (30)</td>
</tr>
<tr>
<td>$500,000 - $999,999</td>
<td>9.8 (11)</td>
</tr>
<tr>
<td>$1,000,000 - $4,999,999</td>
<td>27.7 (31)</td>
</tr>
<tr>
<td>$5,000,000 - $24,999,999</td>
<td>17.9 (20)</td>
</tr>
<tr>
<td>$25,000,000 and higher</td>
<td>3.6 (4)</td>
</tr>
<tr>
<td>missing</td>
<td>3.6 (4)</td>
</tr>
<tr>
<td><strong>Organization is chartered/affiliated with larger/national organization</strong></td>
<td>43.0 (49)</td>
</tr>
<tr>
<td>yes</td>
<td>43.0 (49)</td>
</tr>
<tr>
<td>no</td>
<td>57.0 (65)</td>
</tr>
<tr>
<td><strong>Organization Type</strong></td>
<td></td>
</tr>
<tr>
<td>Arts, Culture, and Humanities</td>
<td>9.2 (10)</td>
</tr>
<tr>
<td>Education</td>
<td>11.9 (13)</td>
</tr>
<tr>
<td>Environment and Animals</td>
<td>1.8 (2)</td>
</tr>
<tr>
<td>Health</td>
<td>14.7 (16)</td>
</tr>
<tr>
<td>Human Services</td>
<td>33.0 (36)</td>
</tr>
<tr>
<td>International, Foreign Affairs</td>
<td>0.9 (1)</td>
</tr>
<tr>
<td>Public, Societal Benefit</td>
<td>13.8 (15)</td>
</tr>
<tr>
<td>Religion Related</td>
<td>1.8 (2)</td>
</tr>
<tr>
<td>Mutual/Membership Benefit</td>
<td>5.5 (6)</td>
</tr>
<tr>
<td>Unknown, Unclassified</td>
<td>7.3 (8)</td>
</tr>
<tr>
<td>missing</td>
<td>7.3 (8)</td>
</tr>
<tr>
<td><strong>Age of organization (locally)</strong></td>
<td></td>
</tr>
<tr>
<td>0 – 2 years</td>
<td>0.9 (1)</td>
</tr>
<tr>
<td>2 – 5 years</td>
<td>5.3 (6)</td>
</tr>
<tr>
<td>5 – 10 years</td>
<td>7.1 (8)</td>
</tr>
<tr>
<td>10 years or more</td>
<td>86.7 (98)</td>
</tr>
<tr>
<td>missing</td>
<td>86.7 (98)</td>
</tr>
</tbody>
</table>

valid percents reported; N = 114
Budget was chosen as the variable to represent the size of an organization instead of number of employees. According to the focus group who pilot tested the instruments, although the executive director should be knowledgeable about the number of employees and the budget, board members would more likely be familiar with budget size. Responses to the question regarding number of employees ranged from 0 to 500. Contrary to the statistics reported early in this paper that the majority of nonprofit organizations are small and 43.2% have assets under $100,000 (Raymond, 2004), the results of this study found that only 14.3% reported budgets under $100,000. The established parameters of excluding organizations with budgets under $25,000 may have skewed the results with regard to annual operating budget.

Forty three percent of respondents reported that the organization is chartered by or affiliated with a larger organization, and 30.7% of those that are chartered are mandated to perform certain administrative practices. In addition, 86.7% indicated the organization had been in existence locally for ten years or more. These responses show that a large number of the responding organizations are well established—as opposed to recent start-ups which have not yet had the time or opportunity to establish policies and procedures.

Based on the personal and organizational demographics obtained in the survey, the responding organizations may not be representative of nonprofits in general. As discussed earlier in the literature review, nonprofit leaders have often worked their way up in an organization to attain promotions (hence long tenure) but do not necessarily have formal education or training in leadership or management. Thus, the reporting of long tenure is reflective of the literature, but the elevated rates of educational attainment may indicate that those who are more educated were more likely to take the time and effort to respond to the
survey. Consequently, high levels of educational attainment make the potential lack of established performance appraisal techniques and activities all the more noticeable.

Table 4 presents the operational specifics of the performance appraisal process—a summary of the practices and tools engaged by the organization.

Table 4
Operational Specifics of Performance Appraisal Process

<table>
<thead>
<tr>
<th>Variable</th>
<th>Composite % total response (n)</th>
<th>Board % (n)</th>
<th>Executive Director %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is Performance Appraisal conducted?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>yes</td>
<td>83.9 (94)</td>
<td>84.6</td>
<td>83.6</td>
</tr>
<tr>
<td>no</td>
<td>14.0 (16)</td>
<td>12.8</td>
<td>15.1</td>
</tr>
<tr>
<td>don’t know</td>
<td>1.8 (2)</td>
<td>2.6</td>
<td>1.4</td>
</tr>
<tr>
<td>When was Performance Appraisal last conducted?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>never</td>
<td>4.8 (4)</td>
<td>5.6</td>
<td>2.9</td>
</tr>
<tr>
<td>over 2 years ago</td>
<td>1.9 (2)</td>
<td>0.0</td>
<td>2.9</td>
</tr>
<tr>
<td>12 to 24 months ago</td>
<td>20.2 (22)</td>
<td>25.0</td>
<td>19.1</td>
</tr>
<tr>
<td>within the last 12 months</td>
<td>69.2 (72)</td>
<td>66.6</td>
<td>70.6</td>
</tr>
<tr>
<td>don’t know</td>
<td>3.8 (4)</td>
<td>2.8</td>
<td>4.4</td>
</tr>
<tr>
<td>missing</td>
<td>(10)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>What kind of form/format is used?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>standard</td>
<td>66.3 (67)</td>
<td>74.3</td>
<td>62.1</td>
</tr>
<tr>
<td>multi-rater</td>
<td>10.9 (11)</td>
<td>2.9</td>
<td>15.2</td>
</tr>
<tr>
<td>360 degree</td>
<td>3.0 (3)</td>
<td>2.9</td>
<td>3.0</td>
</tr>
<tr>
<td>don’t know</td>
<td>6.9 (9)</td>
<td>8.6</td>
<td>6.1</td>
</tr>
<tr>
<td>other</td>
<td>12.9 (13)</td>
<td>11.4</td>
<td>13.6</td>
</tr>
<tr>
<td>missing</td>
<td>(13)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance Appraisal is administered by non-board members.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>no</td>
<td>90.9 (90)</td>
<td>94.1</td>
<td>89.2</td>
</tr>
<tr>
<td>yes</td>
<td>9.1 (9)</td>
<td>5.9</td>
<td>10.8</td>
</tr>
<tr>
<td>missing</td>
<td>(15)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff members participate in the performance Appraisal process.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>no</td>
<td>89.7 (87)</td>
<td>94.1</td>
<td>87.3</td>
</tr>
<tr>
<td>yes</td>
<td>10.3 (10)</td>
<td>5.9</td>
<td>12.7</td>
</tr>
<tr>
<td>missing</td>
<td>(17)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

valid percents reported; N = 114
The fact that 83.9% reported that a performance appraisal is conducted is surprising—although this finding may have been influenced by issues of social desirability—as executive directors and board members realize this phenomena should be occurring, whether or not it is actually happening. Of the 14.3% of respondents reporting that a performance appraisal is not conducted, only a minimal number responded to the question “Why isn’t a performance appraisal conducted?” Again, this may be influenced by social desirability, as respondents refuse to (or are unable to) answer the question.

Two respondents wrote additional comments on the survey next to the question “How often is a performance appraisal conducted?” The first circled the response “annually” but wrote: “scheduled—doesn’t occur that often.” The second example also indicated “annually” but wrote: “hasn’t happened from ‘99-‘04, scheduled for ’05.” Such responses demonstrate that some participants hesitated as to how to answer the question and chose to explain their answers for clarity. Such responses confirm what was seen in the literature on performance appraisal—the difficulty with which true, clear, unbiased appraisals are obtained. Respondents in these two cases recognized the “correct” answers—but somehow felt compelled to offer additional clarification. Another respondent included this comment on the survey form: “It is concerning that we do not have an appraisal process, which is something we need to address.” Clearly this respondent recognizes that a problem exists—but whether she recognized it before the survey brought it to her attention is not clear. Another comment that was written in near the question “how often is an appraisal conducted” stated, “…need for commitment by board to want to do evaluation instead of being ‘reminded’ to do it by executive director.”
In processing the data obtained through the survey, it became obvious that for some questions, choices were unclear or categories overlapped—such variables were eliminated from analysis.

Table 5 provides variables describing the purpose of conducting a performance appraisal.

Table 5
Purpose of Conducting Performance Appraisal

<table>
<thead>
<tr>
<th>Variable</th>
<th>Composite % (n)</th>
<th>Board %</th>
<th>Executive Director %</th>
</tr>
</thead>
<tbody>
<tr>
<td>To measure accomplishment of established objectives</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>yes</td>
<td>95.3 (101)</td>
<td>94.3</td>
<td>95.8</td>
</tr>
<tr>
<td>no</td>
<td>4.7 (5)</td>
<td>5.7</td>
<td>4.2</td>
</tr>
<tr>
<td>missing</td>
<td>(8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To determine amount of raise for executive director</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>yes</td>
<td>62.3 (66)</td>
<td>57.1</td>
<td>64.8</td>
</tr>
<tr>
<td>no</td>
<td>37.7 (40)</td>
<td>42.9</td>
<td>35.2</td>
</tr>
<tr>
<td>missing</td>
<td>(8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To provide opportunity for feedback</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>yes</td>
<td>90.6 (96)</td>
<td>91.4</td>
<td>90.1</td>
</tr>
<tr>
<td>no</td>
<td>9.4 (10)</td>
<td>8.6</td>
<td>9.9</td>
</tr>
<tr>
<td>missing</td>
<td>(8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To identify areas/issues needing improvement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>yes</td>
<td>91.3 (95)</td>
<td>90.9</td>
<td>91.5</td>
</tr>
<tr>
<td>no</td>
<td>8.7 (9)</td>
<td>9.1</td>
<td>8.5</td>
</tr>
<tr>
<td>missing</td>
<td>(10)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Don’t know or there is no clear purpose for conducting a performance appraisal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>yes</td>
<td>3.8 (4)</td>
<td>11.8</td>
<td>0.0</td>
</tr>
<tr>
<td>no</td>
<td>96.2 (100)</td>
<td>88.2</td>
<td>100</td>
</tr>
<tr>
<td>missing</td>
<td>(10)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

valid percents reported; N = 114
There is a reasonable agreement between the categories of board and executive director with regard to the purpose of conducting a performance appraisal. Aside from the last question in the Table 5, the similarities between the columns demonstrate no visible difference in this area. The last question or statement in the table “Don’t know or there is no clear purpose for conducting a performance appraisal” elicited some responses from board members that are worthy of note. That 11.8% of board members chose an affirmative answer to this question is a point of interest. In addition, the high percentage of affirmative answers in the remainder of Table 5 might indicate that respondents chose the “right” answer—as opposed to the most accurate.

Table 6 includes variables provided only to board members describing the intention of the board in conducting a performance appraisal of the executive director.

Table 6

Intention of Board in Conducting Performance Appraisal

<table>
<thead>
<tr>
<th>Variable</th>
<th>Board % (n)</th>
</tr>
</thead>
<tbody>
<tr>
<td>To discover organizational problems</td>
<td></td>
</tr>
<tr>
<td>yes</td>
<td>51.5 (17)</td>
</tr>
<tr>
<td>no</td>
<td>48.5 (16)</td>
</tr>
<tr>
<td>missing</td>
<td>(8)</td>
</tr>
<tr>
<td>To verify accuracy of reported information</td>
<td></td>
</tr>
<tr>
<td>yes</td>
<td>35.3 (12)</td>
</tr>
<tr>
<td>no</td>
<td>64.7 (22)</td>
</tr>
<tr>
<td>missing</td>
<td>(7)</td>
</tr>
<tr>
<td>To document negative performance issues</td>
<td></td>
</tr>
<tr>
<td>yes</td>
<td>47.1 (16)</td>
</tr>
<tr>
<td>no</td>
<td>52.9 (18)</td>
</tr>
<tr>
<td>missing</td>
<td>(7)</td>
</tr>
<tr>
<td>To identify areas/issues needing improvement</td>
<td></td>
</tr>
<tr>
<td>yes</td>
<td>85.3 (29)</td>
</tr>
<tr>
<td>no</td>
<td>14.7 (5)</td>
</tr>
<tr>
<td>missing</td>
<td>(7)</td>
</tr>
</tbody>
</table>

valid percents reported; N = 41
Although the limited response rate represented in Table 6 precludes these results from statistical analysis, the results are interesting to note. Slightly over half the responding board members believe that the intention of the performance appraisal is to discover organizational problems, yet only 35.3% believe the intention is to verify accuracy of reported information. Following this line of reasoning, if board members believe the information they receive is accurate, there should be nothing new to discover through this process, yet a large percentage seem to indicate they trust the accuracy of information provided—but also believe the intention is to discover problems.

Table 7 summarizes the perceptions, attitudes and beliefs held by those involved in the performance appraisal process.

### Table 7

**Perceptions/Attitudes/Beliefs**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Composite % total response (n)</th>
<th>Board %</th>
<th>Executive Director %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procedure is effective and accurate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>strongly agree</td>
<td>33.7 (34)</td>
<td>44.1</td>
<td>29.5</td>
</tr>
<tr>
<td>agree</td>
<td>52.5 (53)</td>
<td>55.9</td>
<td>52.5</td>
</tr>
<tr>
<td>disagree</td>
<td>9.9 (10)</td>
<td>0.0</td>
<td>14.8</td>
</tr>
<tr>
<td>strongly disagree</td>
<td>4.0 (4)</td>
<td>0.0</td>
<td>3.3</td>
</tr>
<tr>
<td>missing</td>
<td>(13)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conducting performance appraisal helps to demonstrate accountability of organization</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>strongly agree</td>
<td>61.3 (65)</td>
<td>69.7</td>
<td>56.1</td>
</tr>
<tr>
<td>agree</td>
<td>37.7 (40)</td>
<td>30.3</td>
<td>42.4</td>
</tr>
<tr>
<td>disagree</td>
<td>0.9 (1)</td>
<td>0.0</td>
<td>1.5</td>
</tr>
<tr>
<td>strongly disagree</td>
<td>0.0 (0)</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>missing</td>
<td>(8)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 7, continued

Perceptions/Attitudes/Beliefs

<table>
<thead>
<tr>
<th>Variable</th>
<th>Composite % total response (n)</th>
<th>Board %</th>
<th>Executive Director %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Org. needs to develop a better method of evaluating the executive director</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>strongly agree</td>
<td>14.0 (15)</td>
<td>5.9</td>
<td>16.7</td>
</tr>
<tr>
<td>agree</td>
<td>23.4 (25)</td>
<td>20.6</td>
<td>24.2</td>
</tr>
<tr>
<td>disagree</td>
<td>51.4 (55)</td>
<td>58.8</td>
<td>48.5</td>
</tr>
<tr>
<td>strongly disagree</td>
<td>11.2 (12)</td>
<td>14.7</td>
<td>10.6</td>
</tr>
<tr>
<td>missing</td>
<td>(7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information provided to the board is accurate and thorough *</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>strongly agree</td>
<td>78.4 (29)</td>
<td>78.4</td>
<td></td>
</tr>
<tr>
<td>agree</td>
<td>18.9 (7)</td>
<td>18.9</td>
<td></td>
</tr>
<tr>
<td>disagree</td>
<td>2.7 (1)</td>
<td>2.7</td>
<td></td>
</tr>
<tr>
<td>strongly disagree</td>
<td>0.0 (0)</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>missing</td>
<td>(4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Experience with performance appraisals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>extensive</td>
<td>24.8 (27)</td>
<td>34.3</td>
<td>17.9</td>
</tr>
<tr>
<td>fairly extensive</td>
<td>37.6 (41)</td>
<td>28.6</td>
<td>43.3</td>
</tr>
<tr>
<td>average</td>
<td>27.5 (30)</td>
<td>28.6</td>
<td>28.4</td>
</tr>
<tr>
<td>fairly limited</td>
<td>5.5 (6)</td>
<td>5.7</td>
<td>6.0</td>
</tr>
<tr>
<td>limited</td>
<td>2.8 (3)</td>
<td>0.0</td>
<td>4.5</td>
</tr>
<tr>
<td>no experience at all</td>
<td>1.8 (2)</td>
<td>2.9</td>
<td>0.0</td>
</tr>
<tr>
<td>missing</td>
<td>(5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level of discomfort with performance Appraisal used by this organization</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>no discomfort</td>
<td>46.2 (48)</td>
<td>60.6</td>
<td>41.5</td>
</tr>
<tr>
<td>very little discomfort</td>
<td>34.6 (36)</td>
<td>21.2</td>
<td>40.0</td>
</tr>
<tr>
<td>some discomfort</td>
<td>15.4 (16)</td>
<td>15.2</td>
<td>16.9</td>
</tr>
<tr>
<td>high discomfort</td>
<td>3.8 (4)</td>
<td>3.0</td>
<td>1.5</td>
</tr>
<tr>
<td>missing</td>
<td>(10)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

valid percents reported; N = 114, *note N = 41 (board members only)

Table 7 demonstrates an interesting comparison between board member and executive director responses. Unlike many of the other frequencies provided in this study, the results in this table show significant differences between the two groups. In response to the statement “The (executive director performance appraisal) procedure currently used by the organization is effective and accurate” 18.1% of the executive directors responded disagree or strongly disagree, while none of the board members answered negatively. The
response to “The organization needs to develop a better method of evaluating the executive director” elicited positive answers (agree or strongly agree) from 40.9% of the executive directors, yet from only 26.5% of the board members. That many executive directors feel the need for a better method of evaluation should be noted. Additional exploration as to ‘why’ is a topic for future research.

Tables 2 through 7 are represented by valid percentages obtained through SPSS descriptive analysis. The N size varies for each variable as some data were missing, and those questions in Table 6 were directed only to board members.

In Tables 2, 4, 5, and 7 responses are divided into three columns: “composite” representing the total response, and “board” and “executive director” to allow for comparisons between the two groups surveyed.

Research Questions

The major focus of this study is an examination of the question: What is the intention (or purpose) of appraising the performance of the nonprofit executive director and is a performance appraisal conducted? To fully explore the issue and describe the results of the study, the focus of this research is broken down into ten questions of relationships between variables:

1. Is there a relationship between the size of a nonprofit organization and whether a performance appraisal is conducted?

2. Is there a relationship between the maturity (age) of a nonprofit organization and whether a performance appraisal is conducted?

3. Are organizations affiliated with or chartered by a larger or national organization more likely to conduct a performance appraisal of the executive director?
4. Are organizations with a standardized performance process in place more likely to conduct a performance appraisal of the executive director?

5. Are organizations with board members and/or executive directors who believe the intention or purpose of the performance appraisal process is to help document the accountability of the organization more likely to conduct an evaluation of the executive director?

6. Are organizations with board members who question the accuracy and thoroughness of information provided by the executive director more likely to conduct a performance appraisal of the executive directors?

7. Are organizations with board members and/or executive directors who believe the performance appraisal procedure currently used by the organization is effective and accurate more likely to conduct a performance appraisal of the executive directors?

8. Are organizations with board members and/or executive directors who believe the organization needs a better method to evaluate the performance of the executive director less likely to conduct a performance appraisal of the executive director?

9. Are organizations with board members and/or executive directors who have higher levels of experience with performance appraisals more likely to conduct a performance appraisal of the executive director?

10. Are organizations with board members and/or executive directors who have lower levels of discomfort with performance appraisals more likely to conduct a performance appraisal of the executive director?

Analysis

To answer the questions listed above, cross tabulations and Chi-square analysis were run using SPSS. In some instances categories were collapsed to provide an appropriate cell count for a Chi-square statistic. The results are described below, and will be discussed and interpreted in the following chapter. The term “conducted” represents the variable “Is a performance appraisal conducted?” Complete data on the analysis is included in Appendix C.
Relationship between Size (budget) and Conducted

The Pearson Chi-Square ($\chi^2 = 6.286$, df = 2, $p = .043$, N = 105) between the size of an organization and whether a performance appraisal is conducted indicates that larger organizations are significantly more likely to conduct performance appraisals.

Relationship between Organizational Age and Conducted

The Pearson Chi-Square ($\chi^2 = 2.665$, df = 2, $p = .264$, N = 109) between the age of an organization and whether a performance appraisal is conducted indicates that there is no significant relationship between age of an organization and whether a performance appraisal is conducted.

Relationship between Chartered and Conducted

The Pearson Chi-Square ($\chi^2 = .859$, df = 1, $p = .354$, N = 110) between an organization that is chartered and whether a performance appraisal is conducted indicates that there is not a significant relationship between whether an organization is chartered by a larger organization and whether a performance appraisal is conducted.

Relationship between Standardized Process and Conducted

The Pearson Chi-Square ($\chi^2 = 16.767$, df = 2, $p = .000$, N = 104) examining the relationship between whether an organization has a standardized performance
appraisal in place and whether a performance appraisal is conducted indicates that organizations with standardized processes in place are significantly more likely to conduct performance appraisals.

Relationship between Accountability and Conducted

The Pearson Chi-Square ($\chi^2 = 9.294$, df = 2, $p = .010$, N = 104) between the belief that a performance appraisal helps to demonstrate the accountability of an organization and whether a performance appraisal is conducted indicates that a significant relationship exists between the variables.

Relationship between Accuracy of Information and Conducted

The Pearson Chi-Square ($\chi^2 = 4.675$, df = 2, $p = .097$, N = 36) between the board members belief in the accuracy of the information presented and whether a performance appraisal is conducted does not indicate a significant relationship between the variables.

Relationship between Effective/Accurate and Conducted

The Pearson Chi-Square ($\chi^2 = 32.707$, df = 3, $p = .000$, N = 100) examining the relationship between the belief that the current performance appraisal system is effective and accurate and whether a performance appraisal is conducted indicates that organizations with board members and executive directors who believe the performance appraisal system is effective and accurate are significantly more likely to conduct performance appraisals.
Relationship between Better Method and Conducted

The Pearson Chi-Square ($\chi^2 = 23.026$, df = 2, $p = .000$, N = 105) examining the relationship between the belief that the organization needs a better method of performance appraisal and whether a performance appraisal is conducted indicates that board members and executive directors who believe the organization needs a better method are significantly less likely to conduct performance appraisals.

Relationship between Experience and Conducted

The Pearson Chi-Square ($\chi^2 = 9.167$, df = 2, $p = .010$, N = 106) between the level of experience respondents had with performance appraisals and whether a performance appraisal is conducted indicates that organizations with board members and executive directors who have higher levels of experience with performance appraisals are significantly more likely to conduct performance appraisals.

Relationship between Discomfort and Conducted

The Pearson Chi-Square ($\chi^2 = 12.009$, df = 2, $p = .002$, N = 102) between the level of discomfort respondents have with performance appraisal and whether a performance appraisal is conducted indicates that organizations with board members and executive directors who have lower levels of discomfort with performance appraisals are significantly more likely to conduct performance appraisals.
Figure 2 illustrates the findings of the Chi-square analyses, demonstrating relationships between independent and dependent variables.

Figure 2

Relationships Between Variables

Key: Solid arrows denote significant positive relationships; dashed arrows denote significant negative relationships; and dotted lines represent lack of significant relationships.
Additional Documentation

Additional documents enclosed with surveys substantiated survey data. Copies of performance appraisal forms and procedures were requested from each organization and a total of 32 documents were provided, including 15 samples of performance appraisal forms as well as packets that outlined the performance appraisal procedures for organizations. Of the samples received, none suggested using a multi-rater or 360 degree approach. One sample included instructions for using the model with this direction: “Only board members should be asked to evaluate the executive director. The executive director is the employee of the board. Other staff members should not be involved in the evaluation process.”

Furthermore, of the 15 models received, only 8 specified that the document was intended to evaluate the executive director, as opposed to other staff members. Whether or not distinct tools exist to evaluate the performance of the executive director was not clear. Table 8 provides a summary of the performance categories specified on each organization’s performance appraisal form. These summaries are taken only from those samples that specified the document was intended to be used for the executive director.

Table 8
Summary of Performance Appraisal Documents

<table>
<thead>
<tr>
<th>Organization</th>
<th>Headings/Areas of Evaluation</th>
</tr>
</thead>
</table>
| Organization A | Vision
               | Strategic Direction
               | Program Management
               | Financial and Resource Management
               | Management of Human Resources
               | Partnership with Board of Directors
               | Community Relationships
               | Positive Outlook
               | General Leadership Performance                                    |
Table 8, continued

Summary of Performance Appraisal Documents

<table>
<thead>
<tr>
<th>Organization</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization B</td>
<td>Administration (supervision and management) Programming Public Relations Board of Trustees</td>
</tr>
<tr>
<td>Organization C</td>
<td>Service to the Board or Governing Body Service to Staff Service to Community Service to the Organization’s Program</td>
</tr>
<tr>
<td>Organization D</td>
<td>Financial Personnel Community Relations Liaison Leadership Traits Planning Collections Facilities</td>
</tr>
<tr>
<td>Organization E</td>
<td>(Was not separated into categories, but included 14 points. The first of which is included.) 1. Understands the role of the Board of Directors, the role of the Executive Director, and their relationship.</td>
</tr>
<tr>
<td>Organization F</td>
<td>Core Responsibilities— Board Relations Personnel Management Financial Management Community Relations</td>
</tr>
</tbody>
</table>

The information in Table 8 (information garnered from observation of the supporting documents provided by respondents) demonstrates an additional point of interest. The performance appraisal forms, as well as the documents describing the performance appraisal process demonstrated a heavy emphasis on the relationship between the executive director and the board of directors. Although the survey instrument did not seek to examine the relationship between the executive director and board members, the additional documentation provides some amount of evidence that this issue is relevant to the process and should be examined further.
This may have an important bearing on the overall performance appraisal process. This phenomenon may be indicative of the political problems encountered in the performance appraisal process. Basing an evaluation on the relationship between the executive director and the board is more subjective than objective, and may take focus away from areas such as financial reporting, personnel management, fund development, and community relations. Because board members and executive directors work closely, personal relationships and friendships may cloud the professional relationship—thus making objective appraisal more difficult. The fact that processes and procedures encourage the development of this relationship must be examined further. Furthermore, placing a heavy emphasis on the relationship between the executive director and the board limits the influence of outside factors such as would be garnered through a multi-rater feedback process. The addition of this supporting documentation is valuable in that it not only supports some of the information gathered in the survey, but also supports the need for a deeper examination of the process.

As was demonstrated in Chapter Two, many contrasting opinions exist regarding the relationship between the executive director and the board of directors. This illuminates the importance of decision making, as consideration must then be given not only to how and why decisions are made, but also to who makes the decisions. If indeed the executive director is responsible for reminding the board to conduct a performance appraisal, the board has made a decision to remove some level of importance from the issue and process. In addition, the lack of literature specifically directed toward appraising the performance of an executive director helps to illustrate the contention that there is no proscribed or preferred method for the process, or for who is responsible for initiating the process.
CHAPTER V

CONCLUSION AND RECOMMENDATIONS

This research study investigated the process employed by the boards of directors of nonprofit organizations to evaluate the performance of the executive director. Specifically examined was the issue of whether or not a performance appraisal was conducted, as well as what was the intention of the board of directors in conducting the performance appraisal. Through survey responses, both the executive directors’ and board members’ perceptions of the performance appraisal process were collected.

Chapter One introduced the problem with an explanation of some of the accountability issues inherent in the nonprofit sector, along with descriptions of the purpose and significance of this study. Chapter Two reviewed literature relevant to this study and tied the areas of nonprofit governance and administration in with issues of performance appraisal and accountability, all under the theoretical framework of decision making. As was evident in Chapter Two, no empirical studies were available specifically regarding performance appraisals of nonprofit executive directors/CEOs. Chapter Three described the research methodology employed in the study, and Chapter Four presented the data and analysis.

This final chapter presents a summary of the findings along with discussion of significant results, reintroduces the concepts relevant in the theoretical framework,
addresses the limitations that were present in the study, and make recommendations for future research as well as implications for policy and practice.

Interpretation of Data

Analyzing the variables within the research questions to establish relationships provided some results supporting what was anticipated based on the literature reviewed, but also provided other results that did not demonstrate support. The significant findings for question number 1 and question number 4 show that there is a strong likelihood that larger organizations and organizations with a standardized performance appraisal process in place are more likely to conduct performance appraisals. Other demographics such as age of an organization and whether the organization is chartered by a larger organization are not significantly related to whether a performance appraisal is conducted (questions number 2 and 3).

The remaining significant relationships were based on variables that are less concrete—and more matters of perceptions, attitudes, or beliefs. Not surprisingly, there was a significant relationship between the belief that a performance appraisal helps to document the accountability of an organization, and the likelihood that one is conducted. Despite the paucity of research in this area, it is possible that linking the performance appraisal of the executive director to the accountability of the organization has been considered by board members. Furthermore, those who question the accuracy of information provided by the executive director are no more or less likely to conduct performance appraisals. Yet, there is a relationship between organizations with board members and/or executive directors who believe the performance appraisal procedure currently used by the organization is effective.
and accurate and whether a performance appraisal is conducted. Similarly, there is a significant negative relationship between the belief that an organization needs a better method of conducting a performance appraisal, and whether an appraisal is conducted. This helps to demonstrate that those who feel comfortable with the current system are more likely to use it. The last two questions regarding level of experience with performance appraisals in general and level of discomfort with the performance appraisal process currently used, both have significant relationships with whether a performance appraisal is conducted.

To summarize the findings of the Chi-square analysis, the size, existence of a standardized process, and belief in the efficacy of the current process, along with some experience and lack of discomfort with performance appraisals all may contribute to the fact that an organization conducts a performance appraisal. Other factors that were analyzed do not show significant results.

Reflections on the Literature

Although this study was able to demonstrate that certain factors in the performance appraisal process or arena may contribute to the likelihood that an appraisal occurs, this research is limited in that it did not seek to demonstrate the effectiveness of the techniques or processes being used and the impacts of these issues on the accountability of nonprofit executive directors, boards, and organizations.

Based on the literature regarding performance appraisals, potential caveats abound, regardless of the methods or tools employed. Examining whether an organization has a proscribed use of a self-evaluation was deemed irrelevant as the literature showed that self
evaluations are nearly always inaccurate, whether too high or too low, and are therefore ineffective except when used in concert with other techniques. This is not to say that self-evaluations as performance appraisals do not have worth, but simply that the mere fact that they are conducted does not demonstrate effectiveness.

Another issue that arose frequently in the literature, and was demonstrated in the supporting documentation (focusing on board/executive director relations) as supplied by respondents was that politics plays a role in the performance appraisal process. According to Longenecker and Gioia (1994), the higher one rises in an organization, the more politics plays a role in the appraisal process. This further complicates the evaluation of the executive director, particularly if parts of the evaluation rely on the perceived relationship of the executive director with the board of directors.

One of the factors that contributes to more effective performance appraisals is if raters are held accountable for the work they do conducting an evaluation. But of concern here is that the board is not held accountable to anyone as they oversee the executive director. Therefore, if the board presents a poorly conducted performance appraisal, there is no one to hold the board accountable for their actions. And finally, to conduct an effective performance appraisal, raters must have expert knowledge of the skills they are assessing, but board members are not usually nonprofit employees—and thus may actually have differing perceptions of the way businesses work. As was also seen in the literature, and as will be reflected in the next section on theoretical framework, more conscientious raters are not influenced by their personal beliefs. Yet, the separation of personal belief and perception from professional belief and perception is difficult and often impossible—further complicating the performance appraisal process.
Theoretical Interpretations

Since few procedures/regulations are proscribed to document the accountability of nonprofit organizations (and executive directors), board members are forced to make decisions as to what they accept as demonstration that the executive director is accountable. By revisiting the theoretical frameworks for this study, it becomes apparent that both theories of accountability and those of decision making guide the issues addressed herein. As was discussed in Chapter Two, Brody (2002) suggested that models of accountability for nonprofits were not readily available and needed to be redefined, proposing four areas of accountability: government regulation/the legal process, the nonprofit sector, the constituents, and the general public.

Table 9

Accountability/Decision Making Matrix

<table>
<thead>
<tr>
<th>Models of Accountability (Brody, 2002)</th>
<th>Theories of Decision Making (Van Wart, 1998)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>legal</td>
</tr>
<tr>
<td>government regulations, legal</td>
<td>X</td>
</tr>
<tr>
<td>nonprofit sector: industry and peer regulation</td>
<td>X</td>
</tr>
<tr>
<td>constituents (donors, staff, clients)</td>
<td></td>
</tr>
<tr>
<td>public</td>
<td></td>
</tr>
</tbody>
</table>

Coupling Brody’s (2002) suggestion with the values inherent in decision making:
individual, professional, organizational, legal, and public interest (Van Wart, 1998) allows for the creation of a matrix of overlapping values and methods. As is clear in the matrix, four of the value areas inherent in decision making are nearly identical to areas of accountability.

Board members could use legal accountability standards and regulations to assist them in making decisions about the performance appraisal process, but these are still undeveloped and limited. As explored in Chapter Two, few legal requirements exist, and those that do exist focus on the financial reporting requirements—not the actions of the executive director.

Brody’s (2002) suggestion of the construct of sector or industry standards of accountability asks for peer regulation. This requires interaction of organizations and factions as well as oversight of the sector. Trends within the sector show more of this through the development and growth of organizations such as the Independent Sector, the Ohio Association of Nonprofit Organizations (OANO), and ARNOVA. Yet, individual organizations’ members and board members must be knowledgeable about such services (opportunities) and be willing to use them. Furthermore, board members represent various professions and therefore often approach organizational problems and decisions from their own paradigms and with their own professional standards which may vary considerably from those within the nonprofit sector.

Van Wart (1998) considers organizational values as a potential factor in the decision making process. When examined in relation to Brody’s (2002) suggestion that an organization must be accountable to its constituents this factor lends credibility to the opportunity to expand the performance appraisal process. In order to be accountable and
make decisions with regard to the constituents, the board must be aware of the values of those constituents. As such, involving the constituents in the performance appraisal process (such as through the use of a 360 degree assessment) would demonstrate the board’s interest in this area. Yet results of the survey showed that only a small percent (10.3% indicated staff participated, and 9.1% indicated that non-board members participated) used outside sources of information in conducting the performance appraisal of the executive director.

Taking into consideration the values of the public interest is similar to responding to the interests of the constituents, but expands beyond the boundaries of those directly impacted by the organization. Similarly, holding the organization accountable to the public requires disclosure of information. The disclosure that is mandated, such as making financial information available to the public, does not adequately demonstrate the accountability of an organization or its leaders. Therefore, developing systems through which public values are actively sought and used in decision making can increase the accountability of the organization.

Van Wart’s (1998) last area of values used in decision making, individual, provides an overlay for each of Brody’s (2002) models of accountability. Although board members promise to uphold the values of the organization when they make a commitment to serving on a board, they are remiss if they believe they can ever truly and completely separate their individual and personal values from their role as board member. Each person enters into a situation with preconceived values, beliefs and ethics, and it is uncommon that these are completely divorced from professional interactions. Thus, part of what influences the decision making of the board member is her or his personal feelings, beliefs and
commitments. With regard to the performance appraisal process, a board member may shy away from the issue because prolonged personal interaction with the executive director creates a sense of trust and possibly even friendship which makes objective evaluation difficult. Finally, an effective performance appraisal requires a great deal of time and focus—something that board members may decide either consciously or unconsciously not to give.

Thus, how board members make decisions regarding the performance appraisal process is affected by their personal interests, professional backgrounds, consideration for the constituents and public, and legal prescriptions. An example of one component of the performance appraisal process requiring a decision is that of what form should be used. One of the questions on the survey asked where the instrument came from, and replies in addition to the choice scale items included: “self prepared by ED,” “home bred,” “board committee made it up,” and “haven’t seen it.” Board members must make decisions to choose the tools they use to evaluate that which they oversee, yet based on some of the answers provided it is clear that some members do not choose to make a choice or decision.

Limitations

A number of limitations arose in the development of this study. One of the most interesting was the difficulty of identifying appropriate organizations. Based on the confusion surrounding the various designations of nonprofit organizations, identifying those organizations appropriate to the study was cumbersome. Once organizations were identified, and surveys were distributed, the response rate was poor. This may have been a result of the sensitive nature of the material to be addressed and a general reluctance to
comment on the topic. One executive director, upon receiving a reminder email asking him to complete the survey responded that the survey was too cumbersome and impersonal, and that he didn’t have time to participate. If this response was indicative of the pervasiveness of this particular sentiment, it may explain part of the poor response. Furthermore, this may have been a convenient response for those who did not wish to comment on the issue being studied.

A major limitation to this study is the possibility that many responses are biased due to factors such as social desirability (Brink and Wood, 1998). It may be the case that respondents answered questions the way they felt questions should be answered, as opposed to straightforward answers. The low response rate to particular questions may indicate that these questions caused discomfort with respondents—either because information was unavailable—or because they did not wish to share the information that would represent an honest and accurate response. Along the same lines, respondents who questioned the anonymity of the study may have hesitated to be honest as they feared repercussions of sharing information about their board and organization. Based on the literature and the lived experiences of the author, this is quite likely the case—suggesting that additional work must be done to develop research methods and tools to obtain honest and unbiased data.

Although the survey instrument was reviewed extensively and pretested, it became evident through the data processing and analysis that certain questions were not clear and should be reworked for future use. It also became evident in the processing of data that terminology usage across organizations is not consistent and some respondents made notes on the survey response form to indicate their interpretation of a label. For example, some
organizations use the title “President and CEO” for the paid executive director, while labeling the leader of the board the “Chair”—while other organizations call the leader of the board the “President.”

An additional complication and limitation to this study may be linked to a respondent’s level of comfort with the performance appraisal process. Although the survey included a question about the respondent’s level of comfort with the organization’s current process, and although most respondents expressed a fair amount of comfort, research has shown that many people have a significant amount of discomfort with the process. Those having discomfort with the process may not be cognizant of the fact that they have discomfort—yet that discomfort may impact their objectivity in the process.

The geographic scope of the survey area also poses a limitation. Because responses were limited to organizations in one county in Ohio, generalizing findings to other areas may not be appropriate as organizations in this area may be influenced by local trends, funding sources, service providers or educational resources.

Recommendations for Future Research

As the topical area of performance appraisals of nonprofit executive directors is virtually undiscovered, recommendations for future research are vast and varied. Specific research may target the past practices of those organizations where executive directors were found guilty of illegal or unethical behavior: Were performance appraisals conducted? Who was involved in the process? Did the appraisal identify issues of concern? Furthermore, additional research needs to be done in the area of performance appraisal itself. In response to the many and often contradictory theories of evaluation: Which
methods and tools are truly reliable, objective, and thorough? Additionally, the nonprofit sector must delve deeper into issues such as: What constitutes accountability? What processes can be developed to document that an organization is working effectively, efficiently, and honestly? In addition, although some professional organizations have developed to encourage training and developing board members, how many organizations have effective and useful board training and does that training include a performance appraisal component?

Conclusion

One of the most important implications of this research is the recommendation that board members should be educated about and trained how to evaluate the performance of the executive director. Because it is often the executive director who conducts board orientation and training, it is doubtful that this is an area that is addressed. Yet those who support and fund nonprofit organizations, and often seek documentation that programs are effective, should consider looking at the effectiveness of the leadership as well. Despite the fact that more and more nonprofits are being formed each year, there are also many organizations that are dissolving. Board members must be made aware of the implications of the decisions they will make—and that the performance appraisal of the executive director can contribute to the accountability of the organization if it done regularly, objectively, and thoroughly. Further development of theories of nonprofit accountability should look at the performance appraisal of the executive director as an important and viable factor in the equation of documenting the accountability of the organization.
This study sought to explore and describe the processes used and decisions involved in evaluating the performance of the nonprofit executive director. By identifying relationships among variables, it became clear that larger, more established organizations had some procedures in place. Yet less mature, smaller, and less well funded organizations may lack the resources to develop procedures. Although it is difficult to generalize exactly what is the best practice, particularly because nonprofit organizations vary greatly, the development of standardized forms that can be tailored to needs of individual organizations would be beneficial. In addition, incorporating some of the factors inherent in multi-rater feedback systems would contribute to a diversification of the process—and eliminate some of the political biases that arise.

One of the key issues that should be considered here is the elevation of the importance of the performance appraisal process in the accountability hierarchy. Since the board of directors entrusts the well-being of the organization into the hands of the executive director, the board must remain cognizant that the actions of the director are considered the actions of the board. To elevate the reputation of the nonprofit sector to the status it once had, and to reclaim public trust, board members must commit to an active role in overseeing the work of the executive director. This can be accomplished in part by developing systems of performance appraisal that include diverse sources of input—and also include a commitment of time and energy on the part of the board.

Many factors play into the performance appraisal process—and many factors play into the management and administration of an organization. It is often the case that the simplest factors are those most often overlooked:
Our system of democratic accountability places too much emphasis on finances and fairness and not enough on performance—too much on rules and not enough on results. It also places too much emphasis on competition and not enough on cooperation. But to place more emphasis on accountability for performance, we need more cooperation. And to evolve such cooperation, we need to create mechanisms for evolving trust. (Behn, 2001, 217)

Behn’s summary of democratic accountability lends itself well to the issue at hand. In order to effectively govern and lead an organization the board and the executive director must work in concert and cooperation. And to effectively document the accountability of an organization, those involved must be able to believe beyond a doubt that the work that is being carried out is good and honest. Deciding to create and engage an effective and objective performance appraisal system can help boards document the accountability of the executive director and eventually the nonprofit organization.
REFERENCES


APPENDICES
APPENDIX A

SURVEY INSTRUMENTS AND LETTERS OF INTRODUCTION

Provided within this appendix are four instruments: the survey directed to board members, the survey directed to executive directors, the letter of introduction to board members, and the letter of introduction to executive directors. It was decided to include copies of each because minor variations occur.
Instructions: Please answer ALL items by circling the letter of the one most appropriate answer, and/or filling in the blank provided. Please return to the Department of Public Administration and Urban Studies, Polsky Building, The University of Akron, 44325 by (within 5 days of receipt).

Please return with the survey:
- a copy of the form used to evaluate the executive director
- documentation of any established policies and/or procedures regarding this process
- a copy of the executive director’s job description

Organizational Information/Demographics:

1. Number of Employees _____ (Full time equivalent)
2. Number of Volunteers (approximate) _____ (Full time equivalent)
3. Annual Operating Budget: Indicate one category for your organization’s annual operating budget.
   a. less than $100,000
   b. $100,000 - $499,999
   c. $500,000 - $999,999
   d. $1,000,000 - $4,999,999
   e. $5,000,000 - $24,999,999
   f. $25,000,000 and higher
4. Organization Type: Please indicate the category which best describes your type of organization.
   a. Arts, Culture, and Humanities
   b. Education
   c. Environment and Animals
   d. Health
   e. Human Services
   f. International, Foreign Affairs
   g. Public, Societal Benefit
   h. Religion Related
   i. Mutual/Membership Benefit
   j. Unknown, Unclassified
5. Is local organization charter by or affiliated with a larger and/or national organization.
   a. yes (if yes, answer question 5b)
   b. no (if no, skip to question 6)
   c. don’t know
   5b. If yes does the chartering/affiliating organization mandate certain administrative practices?
      a. yes
      b. no
      c. don’t know
6. What is the age of your organization (locally)?
   a. 0 – 2 years
   b. 2 – 5 years
   c. 5 – 10 years
   d. 10 years or more
7. Number of Board Members ______ # Female _____ # Male _____
8. Gender of Board President: a. Female b. Male
Personal Demographics


10. What is your age?
   a. under 30 years
   b. 30-39 years
   c. 40-49 years
   d. 50-59 years
   e. over 60 years

11. Circle the highest level of education completed:
   a. high school
   b. some college
   c. two year college
   d. four year college
   e. masters
   f. doctorate
   g. other _____________________

12. What is your current position with this organization?
   a. Board President/Chair
   b. Other Board Member (Office held if applicable: _____________________________)

13. Tenure (length of involvement) in current position with this organization:
   a. under 5 years
   b. 6-10 years
   c. 11-15 years
   d. 16-20 years
   e. over 20 years

14. Tenure (length of involvement) with this organization (total):
   a. under 5 years
   b. 6-10 years
   c. 11-15 years
   d. 16-20 years
   e. over 20 years

15. Tenure (length involvement) in nonprofit organizations (total):
   a. under 5 years
   b. 6-10 years
   c. 11-15 years
   d. 16-20 years
   e. over 20 years

Executive Director Performance Appraisal Information

16. Is a performance appraisal conducted for the executive director?
    a. yes  b. no  c. don’t know

17. Who administers the executive director's performance appraisal? circle all that apply
    a. Board President
    b. Chair of the Board Personnel Committee
    c. Board Personnel Committee
    d. Board Members other than listed above
    e. Board Executive Committee
    f. Non Board members

18. Who participates in the executive director's performance appraisal? circle all that apply
    a. Board President/Chair
    b. Chair of the Board Personnel Committee
    c. Board Personnel Committee
    d. Board Members other than listed above
    e. Staff Members
    f. Community Volunteers/Peers
    g. Volunteers from within the Organization/Operational Volunteers
    h. don’t know
19. How often is the executive director’s performance appraisal conducted?
   a. Semi-annually
   b. Annually
   c. No set schedule
   d. don’t know

20. When was the last performance appraisal conducted for the executive director?
   a. Within the last 12 months
   b. 12 to 24 months ago
   c. Over 2 years ago
   d. Never
   e. don’t know

21. How often does the executive director receive feedback from appraisers?
   a. Monthly
   b. Semi-annually
   c. Annually
   d. No set schedule
   e. don’t know

22. As a part of the appraisal process, does the executive director complete a self-evaluation?
   a. Yes
   b. No
   c. Sometimes
   d. don’t know

23. Who approves the performance appraisal of the executive director?
   a. Board President/Chair
   b. Chair of the Board Personnel Committee
   c. Board Personnel Committee
   d. Board Members other than listed above

24. Who delivers the performance appraisal to the executive director?
   a. Board President/Chair
   b. Chair of the Board Personnel Committee
   c. Board Personnel Committee
   d. Board Members other than listed above

25. Is the performance appraisal process standardized/outlined/set forth in the organization's bylaws/policies or some other document?
   a. yes
   b. no
   c. don’t know

26. What kind of form/format is used for the performance appraisal?
   a. Standard appraisal form provided by the organization
   b. Multi-rater tool (feedback from more that one source)
   c. 360 degree tool (feedback from peers, superiors, and subordinates)
   d. other: ________________________________________________________________
27. The executive director is evaluated on: please respond to each item

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<tr>
<th>Item</th>
<th>YES</th>
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<tr>
<td>a. specific and established goals</td>
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28. Where did your current form or instrument come from?
   a. national organization or affiliate
   b. other local nonprofit
   c. for-profit business
   d. other: ______________________________________

29. What other model or process can you suggest to use for evaluating the executive director?
   a. none
   b. ______________________________________

30. What factors not included in your performance appraisal process or model do you feel should be included? Please list.

   ______________________________________
   ______________________________________
   ______________________________________
   ______________________________________

**Perceptions/Attitudes/Beliefs**

Please answer the following questions as they reflect your personal beliefs:

31. The (executive director performance appraisal) procedure currently used by the organization is effective and accurate.
   a. strongly agree
   b. agree
   c. disagree
   d. strongly disagree

32. Conducting a performance appraisal of the executive director helps to demonstrate the accountability of the organization.
   a. strongly agree
   b. agree
   c. disagree
   d. strongly disagree

33. The organization needs to develop a better method of evaluating the executive director.
   a. strongly agree
   b. agree
   c. disagree
   d. strongly disagree
34. My experience with conducting and analyzing performance appraisals is:
   a. extensive
   b. fairly extensive
   c. average
   d. fairly limited
   e. limited
   f. no experience at all

35. My level of discomfort with the appraisal process used by this organization is:
   a. no discomfort
   b. very little discomfort
   c. some discomfort
   d. high discomfort

36. The purpose of conducting a performance appraisal for the executive director is: circle all that apply
   a. to measure accomplishment of established objectives
   b. to determine amount of raise for executive director
   c. to provide opportunity for feedback
   d. to identify areas/issues needing improvement
   e. don’t know or there is no clear purpose for conducting a performance appraisal
   f. other: ____________________________________________________________________

37. The intention of the board in conducting a performance appraisal is to:
   a. discover organizational problems
   b. verify accuracy of reported information
   c. document negative performance issues
   d. don’t know
   e. other _____________________________________________________________________

38. If your board does not regularly conduct an evaluation of the executive director, why is this the case?
   a. the board does not take the time and initiative to conduct the appraisal
   b. the process is too complicated
   c. board members have complete faith and trust in the work of the executive director
   d. board members do not have any faith or trust in the usefulness of performance appraisals
   e. don’t know
   f. other _____________________________________________________________________

39. The information provided to the board by the executive director is accurate and thorough.
   a. strongly agree
   b. agree
   c. disagree
   d. strongly disagree

Any other comments or suggestions?
Performance Appraisals of Nonprofit Executive Directors/CEOs
Questionnaire – Executive Director

Instructions: Please answer ALL items by circling the letter of the one most appropriate answer, and/or filling in the blank provided. Please return to the Department of Public Administration and Urban Studies, Polsky Building, The University of Akron, 44325 by (within 5 days of receipt).

Please return with the survey:
- a copy of the form used to evaluate the executive director
- documentation of any established policies and/or procedures regarding this process
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Organizational Information/Demographics:

1. Number of Employees _____ (Full time equivalent)
2. Number of Volunteers (approximate) _____ (Full time equivalent)
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   a. less than $100,000
   b. $100,000 - $499,999
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   d. $1,000,000 - $4,999,999
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4. Organization Type: Which category best describes your type of organization?
   a. Arts, Culture, and Humanities
   b. Education
   c. Environment and Animals
   d. Health
   e. Human Services
   f. International, Foreign Affairs
   g. Public, Societal Benefit
   h. Religion Related
   i. Mutual/Membership Benefit
   j. Unknown, Unclassified
5. Is your organization chartered by or affiliated with a larger and/or national organization?
   a. yes (if yes, answer question 5b)
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   c. don't know
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   d. 10 years or more
7. Number of Board Members ______  # Female _____  # Male _____
8. Gender of Board President: a. Female b. Male
Personal Demographics


10. What is your age:
   a. under 30 years
   b. 30-39 years
   c. 40-49 years
   d. 50-59 years
   e. over 60 years

11. Circle the highest level of education completed:
   a. high school
   b. some college
   c. two year college
   d. four year college
   e. masters
   f. doctorate
   g. other _____________________

12. What is your current position with this organization?
   a. Executive Director or CEO
   b. Other paid staff (Title: ______________________________)

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   b. 6-10 years
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   b. 6-10 years
   c. 11-15 years
   d. 16-20 years
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   a. national organization or affiliate
   b. other local nonprofit
   c. for-profit business
   d. other: ___________________________________________________________________

29. What other model or process can you suggest to use for evaluating the executive director?
   a. none
   b. ________________________________________________________________________

30. What factors not included in your performance appraisal process or model do you feel should be included? Please list.

   __________________________________________________________________________
   __________________________________________________________________________

Perceptions/Attitudes/Beliefs

Please answer the following questions as they reflect your personal beliefs:

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   a. strongly agree
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   b. agree
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   d. strongly disagree
34. My experience with conducting and analyzing performance appraisals is:
   a. extensive
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   c. average
   d. fairly limited
   e. limited
   f. no experience at all

35. My level of discomfort with the appraisal process used by this organization is:
   a. no discomfort
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36. The purpose of conducting a performance appraisal for the executive director is: circle all that apply
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   b. to determine amount of raise for executive director
   c. to provide opportunity for feedback
   d. to identify areas/issues needing improvement
   e. don’t know or there is no clear purpose for conducting a performance appraisal
   f. other: ____________________________________________________________

Any other comments or suggestions?
October, 2005

Dear Nonprofit Board Member:

As a doctoral candidate in the Department of Public Administration and Urban Studies at The University of Akron, I am conducting this survey as a part of my dissertation research. I would greatly appreciate the benefit of your professional experience and 30 minutes of your time.

This study seeks to explore the accountability of nonprofit organizations through an examination of the processes and tools used to evaluate the performance of the executive director. Information obtained through this study will be used toward completion of a doctoral dissertation and will be available to you upon completion of the project. It is my hope that nonprofit organizations will benefit from sharing information and practices and that this project will foster that sharing.

Participation in the project is completely voluntary. If you decide to participate, the survey should take less than 30 minutes of your time.

Your anonymity will be ensured throughout the study. Your answers to the survey will be anonymous because there is no name or identification number on the questionnaire. Any materials, documents, and any other data obtained from you will be kept confidential and will not be viewed by anyone but the researcher and her advisors.

Please return the survey to The University of Akron using the self-addressed, stamped envelope by November 4, 2005.

Feel free to call if you have any questions about the survey or this research project.

Thank you in advance for your time and dedication to furthering the study of nonprofit organizations.

Sincerely,

Theresa S. Beyerle, MSSA, MAT  
(330)972-8560  
(330)687-2745  
Doctoral Candidate, Public Administration and Urban Studies  
The University of Akron
October, 2005

Dear Nonprofit Executive Director:

As a doctoral candidate in the Department of Public Administration and Urban Studies at The University of Akron, I am conducting this survey as a part of my dissertation research. I would greatly appreciate the benefit of your professional experience and 30 minutes of your time.

This study seeks to explore the accountability of nonprofit organizations through an examination of the processes and tools used to evaluate the performance of the executive director. Information obtained through this study will be used toward completion of a doctoral dissertation and will be available to you upon completion of the project. It is my hope that nonprofit organizations will benefit from sharing information and practices and that this project will foster that sharing.

Participation in the project is completely voluntary. If you decide to participate, the survey should take less than 30 minutes of your time.

Your anonymity will be ensured throughout the study. Your answers to the survey will be anonymous because there is no name or identification number on the questionnaire. Any materials, documents, and any other data obtained from you will be kept confidential and will not be viewed by anyone but the researcher and her advisors.

This packet contains three surveys, one yellow copy labeled Questionnaire—Executive Director, and two white copies labeled Questionnaire—Board Member. Please complete the yellow copy yourself and distribute the white copies to two board members, preferably your board president and another member of your board of directors.

Please return the survey to The University of Akron using the self-addressed, stamped envelope by November 4, 2005.

Feel free to call if you have any questions about the survey or this research project. Thank you in advance for your time and dedication to furthering the study of nonprofit organizations.

Sincerely,

Theresa S. Beyerle, MSSA, MAT
(330)972-8560
(330)687-2745
Doctoral Candidate, Public Administration and Urban Studies
The University of Akron
APPENDIX B

INSTITUTIONAL REVIEW BOARD APPROVAL

Included in Appendix B is the letter of approval from the Institutional Review Board of The University of Akron.
September 7, 2005

Theresa Susan Beyerle
Public Administration and Urban Studies
The University of Akron
Akron, Ohio 44325-1945

Ms. Beyerle:

The University of Akron’s Institutional Review Board for the Protection of Human Subjects (IRB) completed a review of the protocol entitled “Accountability of Nonprofit Executive Directors: The Performance Appraisal Process”. The IRB application number assigned to this project is 20050808.

The protocol was reviewed on September 26, 2005 and qualified for exemption from continuing IRB review. The protocol represents minimal risk to subjects and matches the following federal category for exemption:

(2) Research involving the use of educational tests (cognitive, diagnostic, aptitude, achievement), survey procedures, interview procedures or observation of public behavior, unless: (i) information is recorded in such a manner that subjects can be identified, directly or through identifiers linked to subjects; AND (ii) any disclosure of responses outside the research could reasonably place the subjects at risk of civil or criminal liability or be damaging to subjects’ financial standing, employability or reputation

Enclosed are copies of the informed consent documents, which the IRB has approved for your use in this research. In addition, your request for a waiver of documentation of informed consent, for the survey as permitted under 45 CFR 46.117(c), is also approved.

Annual continuation applications are not required for exempt projects. If you make any changes or modifications to the study’s design or procedures that either increase the risk to subjects or include activities that do not fall within one of the categories exempted from the regulations, please contact the IRB first, to discuss whether or not a request for change must be submitted. Any such changes or modifications must be reviewed and approved by the IRB prior to their implementation.

Please retain this letter for your files. If the research is being conducted for a master’s thesis or doctoral dissertation, the student must file a copy of this letter with the thesis or dissertation.

Sincerely,

[Signature]

Sharon McWhorter
Associate Director

Cc: Department Chair
    Raymond Cox, Advisor
    Phil Allen, IRB Chair

The University of Akron is an Equal Education and Employment Institution.
APPENDIX C

CROSS TABULATIONS AND CHI-SQUARE ANALYSIS

Cross Tabulations

1. Conducted and Budget

<table>
<thead>
<tr>
<th>Conducted</th>
<th>Budget</th>
<th>Total</th>
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<tr>
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<td>less than $499,999</td>
<td>$500,000 to $999,999</td>
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<tr>
<td>No n</td>
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<tr>
<td>%</td>
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<td>14.6%</td>
</tr>
<tr>
<td>Yes n</td>
<td>9</td>
<td>35</td>
</tr>
<tr>
<td>%</td>
<td>64.3%</td>
<td>85.4%</td>
</tr>
<tr>
<td>Total n</td>
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2. Conducted and Organization Age

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<td>0 to 5 years</td>
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<td>6</td>
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<tr>
<td>% within Age</td>
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<td>75.0%</td>
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<tr>
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<td>% within Age</td>
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3. Conducted and Chartered

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<td>No</td>
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<td>5</td>
</tr>
<tr>
<td></td>
<td>17.2%</td>
<td>10.9%</td>
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<td>41</td>
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<td></td>
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<td>89.1%</td>
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<td>Total</td>
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<td>100.0%</td>
</tr>
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4. Conducted and Standardized

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5. Conducted and Accountability

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<th>The performance appraisal helps demonstrate accountability of org</th>
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</tr>
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<td>%</td>
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<td>100.0%</td>
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6. Conducted and Accuracy

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</tr>
<tr>
<td>No</td>
<td>Count</td>
<td></td>
</tr>
<tr>
<td></td>
<td>%</td>
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<td>Count</td>
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<tr>
<td></td>
<td>%</td>
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<td>%</td>
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</tr>
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</table>
7. Conducted and Effective

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<th>The pa procedure is effective and accurate</th>
<th>Total</th>
</tr>
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<td>disagree</td>
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<td>4</td>
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<td>40.0%</td>
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<td>6</td>
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<td>60.0%</td>
</tr>
<tr>
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</tr>
<tr>
<td></td>
<td>100.0%</td>
<td>100.0%</td>
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</table>

8. Conducted and Better Method

<table>
<thead>
<tr>
<th>Conducted</th>
<th>The org needs a better method to eval ED</th>
<th>Total</th>
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<tr>
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<td>disagree</td>
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<td></td>
<td>100.0%</td>
<td>100.0%</td>
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### 9. Conducted and Experience

<table>
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<tr>
<th>Conducted</th>
<th>none, fairly limited, limited</th>
<th>Experience</th>
<th>fairly extensive, extensive</th>
<th>Total</th>
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<tbody>
<tr>
<td>No</td>
<td>n</td>
<td>%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4</td>
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<td></td>
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<td>%</td>
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<td></td>
</tr>
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<td>n</td>
<td>%</td>
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</tr>
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<td>10</td>
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<td>30</td>
<td>100.0%</td>
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</tbody>
</table>

### 10. Conducted and Discomfort

<table>
<thead>
<tr>
<th>Conducted</th>
<th>high discomfort, some discomfort</th>
<th>very little discomfort</th>
<th>no discomfort</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>n</td>
<td>%</td>
<td></td>
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</tr>
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<td>5</td>
<td>26.3%</td>
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</tr>
<tr>
<td></td>
<td>%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>n</td>
<td>%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
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<td>73.7%</td>
<td>88.9%</td>
<td>100.0%</td>
</tr>
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<td>%</td>
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</tr>
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### Chi-Square Analysis

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<tr>
<th>Variables</th>
<th>Value</th>
<th>df</th>
<th>Sig.</th>
<th>N of valid cases</th>
<th>Notes</th>
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<tr>
<td>Conducted and Size (budget)</td>
<td>6.286</td>
<td>2</td>
<td>.043</td>
<td>105</td>
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<tr>
<td>Conducted and Age</td>
<td>2.665</td>
<td>2</td>
<td>.264</td>
<td>109</td>
<td></td>
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<tr>
<td>Conducted and Chartered (w/continuity correction)</td>
<td>.859</td>
<td>1</td>
<td>.354</td>
<td>110</td>
<td>Computed only for a 2x2</td>
</tr>
<tr>
<td></td>
<td>.426</td>
<td>1</td>
<td>.514</td>
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<td></td>
</tr>
<tr>
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<td>.000</td>
<td>104</td>
<td>2 cells (33.3%) have exp. count less than 5</td>
</tr>
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<td>Conducted and Accountability</td>
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<td>.010</td>
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<tr>
<td>Conducted and Accuracy</td>
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<td>2</td>
<td>.097</td>
<td>36</td>
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<td>Conducted and Effective/Accurate</td>
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<td>3</td>
<td>.000</td>
<td>100</td>
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<td>Conducted and Better Method</td>
<td>23.026</td>
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<td>.000</td>
<td>105</td>
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<td>.010</td>
<td>106</td>
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<td>Conducted and Discomfort</td>
<td>12.009</td>
<td>2</td>
<td>.002</td>
<td>102</td>
<td>3 cells (50.0%) have exp. count less than 5</td>
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