A QUALITATIVE EXAMINATION OF THE ANTECEDENTS AND CONSEQUENCES
OF ACCREDITATION OF NONPROFIT ORGANIZATIONS

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By

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ABSTRACT

Several nonprofit umbrella associations have implemented assessment and certification programs
intending to produce institutional improvement for member organizations. An analysis of semi-
structured interviews guided by institutional theory, reveals factors that differentiate among
organizations that chose to participate in one such program (the Louisiana Standards for
Excellence organizational assessment) and those that did not. Drawing on organizational
learning and accountability literatures, the research investigates the antecedents and
consequences of accreditation in nonprofits. Results indicate that, integrity-enhancement,
continuous improvement and financial motives drive the decision to seek accreditation, and
outcomes of remediation-oriented process improvement initiatives were contingent upon staff
commitment.

Key words: accreditation, institutional theory, organizational learning, accountability, nonprofit
assessment, nonprofit certification, Louisiana Standards for Excellence, resource dependency
theory
INTRODUCTION

Unfavorable, and often unwarranted, publicity and broadcasts have recently targeted the nonprofit sector. With reports of such mismanagement as excessive compensation packages and unethical appropriations, it is urgent that a systematic and systemic approach be implemented to strengthen and reform the sector. This research is intended to inform nonprofit organizations, government, and the public of the significance of accountability practices such as those set forth in the Louisiana Standards for Excellence program. Established in 2004 by the Louisiana Association of Nonprofit Organizations (LANO), the program was based upon the nationally recognized Maryland Association of Nonprofit Organizations program, originally launched in 1998.

The Standards of Excellence program was created to develop and test a self-regulation approach to governance, with the goal of becoming a model for well-managed and responsibly-governed nonprofits (Bailis & Sokatch, 2006). Certified organizations are expected to engage in ongoing evaluation and performance procedures and to adopt the Standards for Excellence certification as a demonstration of their quality of service.

LITERATURE REVIEW

Institutional theory offers insight into why organizations may be interested in organizational assessment and accreditation programs. Institutional rules function as myths which organizations adopt in order to gain legitimacy, to garner resources, to improve their stability and to enhance their survival (Meyer & Rowan, 1977). In discussing the impact of institutional environments on organizations, Meyer and Rowan (1977: 349) contend that the use of external assessment criteria “can enable an organization to remain successful by social definition, buffering it from failure”. In adopting external assessment criteria, organizations become sensitive to and employ external criteria of worth, often leading to intra-industry homogeneity (DiMaggio & Powell, 1983).

Accountability is generally defined as the means by which individuals and organizations are answerable to others and are held responsible by their actions (Bies, 2001). Bies explains that mandatory self-regulation models imposed by external forces reward or sanction nonprofit organizations based on their level of implementation of accountability practices; whereas discretionary self-regulation is an internal organizational development tool associated with the voluntary adoption and implementation of accountability practices. Being accountable, then might suggest that one is responsible for one’s actions, is answerable to some higher authority (e.g., the general public, as well as, the benefactors and the beneficiaries of the organization’s services), and is able to present an explanation of one’s actions (Pollack & Lampkin, 2001).

Self-assessment and accreditation programs for nonprofit organizations may provide competitive advantage as an objective approach to producing valid and reliable measurements for stakeholders’ review. Rifkin and Fulop (1997) suggest that the strongest determinants of how organizations learn are connected to their power, politics, organizational history, and management discretion and choices. Certain patterns appear that seem to describe learning organizations and one might conclude that learning in an organization does not depend solely on
what the manager does day-to-day (micro-factors), but instead on the organization’s context and
described in the organization’s context and history (macro-factors: Rifkin & Fulop, 1997).

Lave and Wenger (1991) developed a view that suggests learning activities and knowledge
transformation take place in a social world where learners can construct their own understanding
in a group setting. A nonprofit organization and its board of directors can create and support an
environment conducive to such learning. This broader concept of learning provides the basis for
the research to investigate whether nonprofit organizations that have successfully obtained
certification experience an enhanced commitment to learning.

**METHODS**

**Sample**

Twenty-two individuals associated with four “certified” and four “non-certified” nonprofit
organizations headquartered in Louisiana participated in this study. “Certified” organizations
were qualified on the basis on their participation in the LANO Standards for Excellence
certification program. The program, begun in 2004, was designed to have a three-year
prescriptive period. “Non-certified” organizations declared consideration for participation at
some time, but had opted not to participate. Reasons for this decision included participation in
another type of assessment or accreditation program (usually required by a national “parent” type
of organization), inadequate internal capacity, time constraints and incompatible organizational
structure with the assessment instrument.

The eight organizations involved in the study varied in board size, number of years in operation,
member composition, annual operating budget, funding sources, and service area. Table 1
presents operational descriptors of the focal organizations in the study.

**Table 1: Operational descriptors of the focal organizations**

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<th>Certified Organizations</th>
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<tr>
<td><strong>Mission</strong></td>
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<td>Org 1 Educate children, strengthen families and build community</td>
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<tr>
<td>Org 2 Alcohol and drug abuse treatment center</td>
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<td>Org 3 Homeless Prevention</td>
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<td>Org 4 Outpatient healthcare to working uninsured</td>
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<th>Non-Certified Organizations</th>
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<tr>
<td><strong>Mission</strong></td>
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<tr>
<td>Org 5 Women’s service club</td>
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<tr>
<td>Org 6 Support services for the sexually abused and assaulted</td>
</tr>
<tr>
<td>Org 7 Professional trade association (counseling and social services)</td>
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<td>Org 8 Community foundation serving philanthropic interests of donors</td>
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Potential interviewees were all employees of and/or strongly affiliated with each selected nonprofit organization. In general, the participant characteristics for the twenty-two interviewees from the certified and non-certified organizations consisted of: eight males and fourteen females; eight in the 40s age group, nine in the 50s age group, three in the 60s age group and two in the 70s and over age group; and finally, nineteen were white and three were African American.

**Data Collection and Data Analysis**

Person to person interviews were conducted that lasted between 60-90 minutes each. A separate research protocol was used for the certified organizations and the non-certified organizations in order to query specific information concerning accountability, accreditation, the Standards for Excellence certification program and organizational learning.

Data analysis was performed using a three step process: raw data comparison, new literature review and emerging idea analysis. The researcher performed three rounds of open coding manually and recorded all observations in a research journal. The open coding process allowed for comparison of comments and ideas obtained from participants, a review of important theoretical concepts, and the development of categories in which the researcher was able to organize broad themes and issues.

**FINDINGS**

The research was intended to enhance extant knowledge regarding two questions: (1) what motivates nonprofit organizations to participate in organizational assessment programs, and (2) does participation enhance continuous learning for improved effectiveness? Each research question generated two major findings. The four derived findings are analyzed and discussed in greater detail in the following narrative.

#1: Integrity-enhancement and differentiation motives were as significant as the fundamental desire to improve internal operations in influencing the decision to pursue certification.

All participating nonprofits reported that efforts are ongoing to enhance their legitimacy, accountability and credibility given the contemporary environmental dynamism. Pursuing a validated and respected measure of how well the organization is upholding its mission and how responsive it is to its multiple stakeholders was a notable driving force in the decision to pursue accreditation. In citing reasons for seeking certification, “strengthened accountability” was mentioned by 95% of the respondents, “improved credibility” was identified by 81% and “enhanced legitimacy” was reported by 23%. Scrutiny by the media, general public, peer organizations, donors, funding agencies and the government was cited as an ongoing concern. Nearly every Executive Director stated that the LANO certification represented the nonprofit “seal of approval” that would afford them the opportunity to attract new financial and non-financial resources.

Certification generated improved internal operations and adherence to governance practices. More than half of the interviews (68%) indicated interest in participating in the certification
program in order to obtain information that would lead to a more effective and validated organization. Discussion emphasized improved governance practices, investment in core operational improvements and procurement of the highest level of organizational performance.

Respondents (50%) also reported the exercise of preparing the certification application to educate staff and board members about good governance, specifically assessing current and anticipated needs related to board composition, periodic assessment of board performance, transparency of operations and improved internal organizational capacities. One Executive Director stated that the certification process expedited the recruitment of new board members.

#2: Post-certification maintenance of process improvement initiatives was contingent upon the commitment to and passion about the process among the organization’s staff, specifically the Executive Director.

The majority of respondents (59%) recognized the important role of the executive director and the criticality of a people-oriented culture within the organization. Excerpts from two interviews exemplify the high levels of engagement reported by staff members:

“Our staff nurse was a Peer Reviewer for LANO for three years. She learned about the process and then took the lead on having us go through certification. The storms of 2005 hit about this time and I wanted to stop the process and wait until the next year to finish. The staff said no; they wanted to continue on with the project. The staff nurse was the leader of the effort. She organized everyone else and kept us all motivated to finish the work.”

“Our Executive Director was involved in a LANO training program and heard about the certification program there. She told the board about it and they decided to...go ahead with it. Our Executive Director felt like it was really important to do it. She was really in favor of going ahead with this project. It was a good learning experience for me and something that I will put on my resume.”

Numerous interviewed board members stated explicitly that they regarded the employees as one of the organization’s most valuable assets. Most of the executive directors from certified organizations commented on the enhanced and active productivity in their respective agencies since becoming certified. Constant and on-going work on personnel policies, compensation plans, disaster plans and fundraising guidelines at senior management meetings and/or regular staff meetings were addressed. It was evident that the executive directors were providing the vision, leadership and passion for the creation and cultivation of such an environment.

#3: The desire to augment fund-generation capacity, to become eligible for funding from new sources, and to raise additional financial resources was a significant driving force in the decision to pursue certification.

Nonprofit organizations are continually seeking opportunities to augment or diversify their income stream. The results of this study confirm that fundraising, access to additional sources of revenue, and monitoring the organization’s financial health are significant. A surprising finding, however, was that 45% of those interviewed already have or expect to have additional funding
for their organization as a direct result of certification. Depending on donors to financially support the organization based upon their awareness of the value and virtue of the services provided is rare; exemplary planning and marketing are now required.

It has been imperative for many nonprofit organizations to pursue funding from new sources in order to sustain themselves. The LANO certification was clearly stated as a means to attract more attention and interest, proactively translating into a direct revenue increase to the organization from such activities as grant writing and direct mail solicitation.

#4: Enhanced awareness of and desire to remediate existing organizational deficiencies in the operational and governance domains emerged as a more pervasive outcome than did the creation or reinforcement of a holistic learning environment.

The final major finding of the study was related to post-certification continuous improvement in the organization. Nearly 41% of respondents provided evidence that this is the area where board members and staff identify passion, focus and direction for their work. Threats to funding, increasing demands to deliver more services and changes in socio-demographics are forcing organizations to think in new ways. In order to render a stronger and more responsive organization, board members and staff need to constantly scan, forecast, and engage in strategic planning, program development, and collaborative team building.

It should be noted that this finding is focused on continuous improvement (41% reported) rather than organization learning or learning of any other type (27% reported), which was the focus of one of the original research questions.

**DISCUSSION**

The Standards for Excellence are intended to describe how the most well-managed and responsibly governed organizations should, and do, operate. They provide benchmarks to determine how well an organization is fulfilling its obligations to those who benefit from its programs, to contributors and to the public (Bailis & Sokatch, 2006). The findings lead to four specific points of discussion:

#1: Integrity-enhancement and differentiation motives were as significant as the fundamental desire to improve internal operations in influencing the decision to pursue certification.

What stakeholders today really want to know is how well the organization is achieving its mission and goals. Nonprofit managers, directors, and board members are therefore facing a number of challenges as they seek to develop internal measures of accountability and then effectively forward communication to the public and stakeholders that the organization is meeting legitimate standards of performance and accountability.

Boards of directors of nonprofit organizations are expected to provide leadership and the role of the Executive Director is to facilitate board effectiveness. Board members and staff are interested in governance efforts to demonstrate and exhibit effective and efficient organizations. Good governance leads to improved credibility with funders and often provides organizations
with a competitive advantage in resource development and acquisition. Such efforts reported included improved personnel policies, board meeting minutes, and record keeping, the creation of formal committee structures, more effective risk management practices and the incorporation of enhanced planning mechanisms.

Herman and Renz (2004) suggest that board effectiveness and organizational effectiveness are related. Furthermore, the use of certain prescribed board practices (involvement in strategic planning, good meeting management and effective communication) is related to board effectiveness. The results of this study support the contention that certification has produced measurable and significant improvements in board performance and overall governance.

#2: Post-certification maintenance of process improvement initiatives was contingent upon the Executive Director’s commitment to and passion about the process.

An interesting variable in the research model relates to the Executive Director’s passion about the value of the certification process. Many interviewees specifically said the staff was engaged at a high level in the work of the organization which, in some cases, sparked enthusiasm and interest in the certification program. The leadership, vision and guidance of the Executive Director appeared as a strong motivator, as well as a critical success factor in completing the certification process. Psychologist David McClelland pioneered studies regarding workplace motivational development and his theories can be applied here as a way to understand what may motivate such endeavors by staff members and Executive Directors.

McClelland developed a theory of motivation based on the belief that humans are motivated by certain needs (Urdan & Maehr, 1995). These were defined as the need for achievement, the need for affiliation and the need for power. Research has shown that this mix of motivational needs characterize a person’s style and behavior, both in terms of being motivated and in the management and motivation of others.

In this research, all Executive Directors were asked to state their specific skills and talents. These responses were reasonably predictable and were grouped into three major areas: 1) vision oriented/mission driven/goal focused; 2) strong administrative skills; and 3) sense of professionalism. Informally, the data suggests that nonprofit Executive Directors possess a high need for achievement and affiliation, thus clarifying a clear link to why these personality types perform well when engaged in an organizational self-assessment project.

#3: The desire to augment fund-generation capacity, to become eligible for funding from new sources, and to raise additional financial resources was a significant driving force in the decision to pursue certification.

Resource Dependency Theory, developed by Pfeffer and Salancik in 1978, explains a specific problem of practice related to nonprofit organizations: there is never enough money to operate. A primary governance role of boards in nonprofit organizations is to ensure, develop, and conserve the organization’s resources (including funds, property and human resources) (Herman, 2005). Boards may fulfill this role in many ways: ensuring that adequate financial resources are secured, current revenues are stable, income is managed properly, assets are protected and appropriate risk management policies and practices are established. Resource dependency theory
suggests that survival of an organization depends on its ability to acquire and maintain resources (Miller-Millesen, 2003).

The nonprofit organizations represented in this study, as well as the many others in operation today, are active and ever-changing, constantly responding to the external environment, to attract the various resources needed to survive, from traditional fundraising to grants from foundations and government support, as well as new approaches, such as earned income and fee-for-service activities. By natural extension, participation in an assessment or accreditation program should be viewed as a pro-active activity to attract increased resources at all of these levels. It becomes transparent that the organizations participating in this study certification as a means of improving their resource acquisition efforts.

#4: Enhanced awareness of and desire to remediate existing organizational deficiencies in the operational and governance domains emerged as a more pervasive outcome than did the creation or reinforcement of a holistic learning environment.

Certain motivations and pressures clearly exist that cause organizations to display interest in and, eventually, engage in the certification process. It has been shown through appraised research that the pursuit and successful achievement of certification and/or accreditation lead to a commitment for continuous improvement. One of the original research questions sought to investigate the presence of continuous learning or the emergence of learning organizations as a result of certification. Clearly, this did not emerge as a major finding; instead, organizations engaged in a less rigorous, but nonetheless important, program of ongoing assessment, evaluation and improvement processes. At the time that this study was conducted, the LANO certification program, had only cycled through one period (a 3-year term before re-certification is required) since inception and it was assumed that not enough organizations have participated thus far for this to emerge as a major finding.

CONCLUSION

The study was a comparative analysis between organizations that do and do not participate in a specific organizational assessment program. Those who have chosen to adopt the standards have taken proactive steps to develop comprehensive disaster plans, conduct regular board assessments, implement year-round communications plans, and are expanding their resource development strategies. The decision to promote their own professionalism and adopt the Standards for Excellence shows that organizations are improving their own efficiency and effectiveness by defining their standards of accountability, and, at the same time, promoting best practices and collaboration in the nonprofit sector. Such proactive steps better position organizations to quickly respond to opportunities, expand their legitimacy and possibly avoid stagnation in such areas as service delivery, management and organizational administration.

This research advances a clear value proposition: enhanced legitimacy, accountability, and credibility, combined with a focus on continuous improvement and good governance can assist a nonprofit organization in becoming certified and the certification “seal of approval” translates into greater income generation. All nonprofit organizations should be encouraged to pursue the Standards for Excellence seal, or some compatible form of recognition, to demonstrate that they are ethically managed, accountable and committed to continuous improvement.
REFERENCES


