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NONPROFIT ORGANISATIONS: DEFINITIONS AND PERFORMANCE EVALUATION

Nonprofit organisations are typically situated between public and private sectors, aiming to serve public interest without distributing profits [1, p. 4]. A commonly used structural-operational approach defines them by five core features: being organised, private, self-regulating, non-profit-distributing, and voluntary [1, p. 47]. Because of their diversity in form and function, they are also known as non-governmental organisations (NGOs), voluntary associations, charities, or civil society organisations. The differences between these categories reflect variations in national legal systems, societal expectations, and historical traditions.

While these definitional elements are conceptually useful, nowadays, the boundaries between nonprofit, public, and private organisations are increasingly blurred. Nonprofit organisations increasingly engage in revenue-generating activities and government partnerships, resulting in hybrid models that blend public interest goals with entrepreneurial strategies [1, p. 369].

Evaluation and Organisational Performance in NPOs

Unlike private enterprises, NPOs cannot rely solely on financial profit indicators. Instead, they must demonstrate how effectively they use resources to achieve mission-driven outcomes and create social value. Nonprofit performance evaluation often involves examining resource utilisation, goal fulfilment, outcomes experienced by beneficiaries, and broader social impact. In addition, transparency, stakeholder satisfaction, and innovation are increasingly recognised as essential indicators of organisational health [1, p. 240; 2, p. 130; 3, p. 353].

Over time, numerous frameworks have been developed to assess nonprofit effectiveness. The most widely cited include outcome-based, welfare-oriented, and balanced approaches that integrate multiple dimensions of performance. The following table 1 synthesises key models in a concise comparative form.

Table 1

Selected Frameworks for Evaluating Nonprofit Performance

Framework	Key Dimensions	Focus/Contribution
Outcome Measurement	Inputs, processes, outputs, outcomes	Connects program goals to trackable outcomes and fosters stakeholder engagement and reflective learning
PAQS (Performance Accountability Quality Scale)	Resources, activities, outputs, outcomes, goals, indicators, evaluation plan	Structured tool for expert feedback; integrates planning with performance accountability
POW (Production of Welfare)	Inputs, outputs, outcomes	Evaluates economy, efficiency, effectiveness, and equity; adds participation, advocacy, innovation
Balanced Scorecard (Adapted for NPOs)	Financial, customer, internal processes, learning/innovation	Adapts the traditional scorecard by aligning performance metrics with mission achievement instead of financial return.
Performance Prism	Stakeholders, strategies, processes, capabilities, satisfaction	Prioritises stakeholder needs and contributions; multi-dimensional
Dashboard for Social Enterprises	Current results, risks, projects, assets/capabilities	Operational focus; real-time monitoring for managers
MIMNOE	Management effectiveness, program effectiveness	Differentiates internal organisational systems from external program results
Common Outcome Framework	Program-, community-, participant-, and organisation-based indicators	Offers a unified system for assessing program, participant, community, and organizational outcomes.
Input–Impact Framework	Inputs → activities → outputs → outcomes → impacts	Centers mission and vision within causal linkages; connects strategic planning to measurable impact
SROI / Impact Value Chain	Inputs, outputs, outcomes, monetised impact	Measures the social value created in financial terms to strengthen accountability to stakeholders and funders.

Source: Table adapted by the author from multiple nonprofit performance evaluation frameworks [1; 2; 3; 4; 5]

The synthesis table presented here demonstrates that NPO effectiveness depends on balancing internal capacity, external collaboration, and measurable social outcomes. Across these models, three insights stand out. First, nonprofit performance is *multi-dimensional*, combining quantitative and qualitative criteria. Second, *stakeholder perspectives* from beneficiaries to donors are integral to a credible assessment. Third, performance measurement should enhance *learning and strategic management*, not merely compliance.

By structuring internal processes around transparent indicators and mission-linked outcomes, NPOs can strengthen their governance and long-term sustainability. Understanding and refining these frameworks is essential for advancing the nonprofit sector's role in sustainable development and public value creation.

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