Balancing Nonprofit Efficiency and Effectiveness: Implications of an Integrated Model Approach to Nonprofit Financial Sustainability and Mission Impact

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Abstract

Finding a balance between financial and organizational efficiency and mission effectiveness remains a challenge for many nonprofit organizations. This capstone adds to the discussion on achieving independence and sustainability in the nonprofit sector through a legitimate integrated model framework. Acknowledging that a major barrier to model integration lies in the sector-wide ambiguity around the concept of social value creation, the overall purpose of this research is to propose a strategic framework for nonprofit organizations to approach the integrated model with confidence and competence (Kroeger and Weber, 2014). With this mindset, this research hopes to provide a critical eye to revenue-generating practices of the integrated model, and to build on previous research on managerial capacity, financial accounting, and program evaluation in a social context. To address these areas, this capstone suggests and observes the following strategic framework alongside the nonprofit, Playworks: (1) organizational and managerial readiness for integration through a modified Social Corporate Entrepreneurship Scale (Kuratko, McMulle, Hornsby, and Jackson, 2016); (2) accuracy of financial accounting in the context of Mook's (2014) Nonprofit Integrated Social Accounting model; and (3) appropriate, mission-based indicators for program evaluation that go beyond financial measures.

Keywords: nonprofit, nonprofit business model, sustainability, earned income, mission, impact, nonprofit efficiency, social value creation, social entrepreneurship

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Primary Organization Background

Playworks Education Engergized (Playworks) is a national nonprofit organization that works to improve the health and well-being of children through increasing opportunities for physical activity and safe, meaningful play (playworks.org). Playworks celebrated its twentieth anniversary in 2016 and continues to impact children across the United States through recess. The organization provides a range of services through partnerships with schools, school districts, and after-school programs. Services vary in level of involvement and include on-site coaches, training for school staff, and consultations.

Playworks operates its direct service programs (Coach, Team Up, and Pro) in twenty-three regions across America: Arizona, Colorado, Georgia, Illinois, Indiana, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, New Jersey, New York, North Carolina, Northern California (East Bay, San Francisco, Silicon Valley), Pacific Northwest, Pennsylvania, Southern California, Texas, Utah, the District of Columbia, and Wisconsin.

As of January 2016, the organization announced a strategic plan to expand Playworks' services to reach an aim of ensuring that 3.5 million children in 7,000 elementary schools will experience safe and healthy play every day by December 2020 (2020.Playworks.org). With this focus on expansion, Playworks is paying particularly close attention to building its fee-for-service programs, which makes it a prime organization to analyze in terms of implementing a nonprofit integrated model.

Introduction

This capstone was chosen as an exploration into the implications of an integrated model and its influence on efficiency and mission effectiveness. With the prevalence of nonprofits utilizing a business model to work toward financial sustainability, challenges of mission integrity and managerial capacities are high. Unstable streams of revenue and politically influenced government funding pressure nonprofits to "seek money wherever they can find it," unfortunately leading to lack of strategy and loss of focus on mission (Foster, Kim, & Christiansen, 2009). With this state of the sector in mind, this capstone further explores model diversification by advocating for the integrated model—an intentional combination of social and financial objectives as the ideal funding model for nonprofits to pursue. Through this focus, the integrated funding model relieves high levels of dependence on traditionally unstable streams of revenue while strategically ensuring revenue-generating services are aligned with overall mission.

This capstone acknowledges that a great barrier to using an integrated model effectively is the result of ambiguity around systemic indicators for social value creation. Without "guidance on what distinguishes primarily social value creation from primarily nonsocial value creation," nonprofits struggle to measure and evaluate programs in meaningful ways (Kroeger and Weber, 2014). While acknowledging the need for a developed index for systemically measuring the creation of social value in a social context, this capstone believes it is necessary for nonprofits to create a framework of best practices to operate an integrated model, especially in times of high ambiguity. The primary focus of this research is to explore strategies, challenges, and benefits of the integrated funding model in order to propose a framework for balancing both efficiency and effectiveness.

Research Question

Working closely with Playworks as a key resource in analyzing a nonprofit organization effectively implementing an integrated funding model, this capstone hypothesizes that an integrated model can be used to promote an organization's ability to achieve financial and organizational sustainability without sacrificing meaningful mission impact. The ultimate purpose of this research is to prove the important and unique role the integrated model can play and to encourage nonprofits to look at their resources and services innovatively. Accordingly, this research provides a critical eye to revenue-generating practices of the integrated model and to build on previous research on managerial capacity, financial accounting, and program evaluation in a social context along with mission integrity in the search for programmatic and financial sustainability.

Based on the previous research, this capstone has the following goals and objectives:

Goal 1: To develop a proposed framework of strategies to more effectively approach an integrated funding model

This goal is valuable to building the foundational context of the research question. The framework will also help inform analysis of collected organizational data. Goal 1 will be realized through the following objectives and guided by the following driving research question:

- **Objective 1:** Collect ten or more primary data sources from scholarly journal, articles, and research papers from the past ten years
- **Objective 2:** Analyze the collected data through a literature review
  - ***Driving research question 1:*** *What are the underlying barriers to successfully implementing an integrated model sector-wide?*

Goal 2: Draw conclusions on the implications of an integrated funding model in the context of a thriving nonprofit organization

Goal 2 will closely examine if elements of the proposed framework developed in Goal 1 can be realistically adopted by nonprofit organization successfully implementing an integrated funding model. Completion of Goal 2 will assist in developing an understanding of how a nonprofit organization generally approaches the integrated model and can help make inferences on the challenges and best practices associated with successfully balancing efficiency and effectiveness. Goal 2 will be realized through the following objectives and guided by the following driving research question[1]:

- **Objective 3:** Limit the examination of the integrated model to in-depth examination of Playworks, a successful national nonprofit organization with over twenty years of operating experience
- **Objective 4:** Draw conclusions on Playworks' success in implementing an integrated model through close examination of organizationally defined program metrics and evaluation results from current fiscal year 2016-2017, in comparison with the audited financial statements from previous fiscal year 2015-2016
    - ***Driving research question 2:*** *From an organization's perspective, what are the challenges associated with pursuing an integrated model?*

[1] Numbering for objective and research questions continued from Goal 1

Literature Review

Overview

Secondary data was collected and compiled into a literature review with the purpose of analyzing current scholarly journals and articles written about models used in nonprofit organizations to balance effectiveness and efficiency. The information collected from the literature review suggests that nonprofits are keen to pursue revenue generating practices "as a way to reduce volatility in funding and diminish financial risk" (Tevel, Katz, and Brock, 2014). In fact, many authors were in favor of nonprofits engaging in social entrepreneurial practices to promote sustainability. For instance, Stecker (2014) promotes the use of social entrepreneurial practices in nonprofits to improve management capacity while enriching mission.

While this capstone agrees with previous authors on the benefits of model integration to attain nonprofit sustainability, it also argues that integrating a social entrepreneurial model within a traditional nonprofit model can be detrimental to an organization without a framework responsive to the complexities of the social sector. Through previous research, the following common areas of challenge emerged: managerial capacity, financial accounting, and program evaluation in a social context and will be further explored.

Earned Income in the Nonprofit Sphere

In assessing the history of earned income in nonprofit revenue generating strategies, it may seem unsurprising for nonprofits to turn to these alternative methods. In fact, revenue generating strategies have always been central to nonprofit theatre companies or museums, as well as to healthcare and educational institutions. While it is true that these service organizations traditionally employed some form of social enterprise, what is surprising about current social entrepreneurial trends in the nonprofit sector is that "virtually every nonprofit domain—from

human services, to housing, to the environment"—is now engaging in revenue-generating services (Foster and Bradach, 2005).

Review of the literature makes it clear that this sector-wide rise in nonprofit social entrepreneurship came partly to address political currents directing government funding away from social service organizations. In fact, Gras and Mendoza-Abarca (2014) credit decreased government funding as part of the "perfect storm" of circumstances in the 1990s that caused nonprofits to pursue entrepreneurial conduct. Adding in mercurial foundation funding priorities to the unstable context of social service economy, competition with for-profit organizations, and increasing costs of program expenses, nonprofits turned to revenue diversification to "reduce volatility in funding and diminish financial risk" (Tevel, Katz, Brock, 2014).

In terms of for-profit competition, the for-profit sector has also experienced a rise in interest in social entrepreneurial practices. These social enterprises engage in blended value activities—similar to nonprofit organizations—to differentiate their operations from competitors and generate customer goodwill. Defined by Michael Porter as "shared value capitalism," for-profit organizations have brought significant influence and pressure to the models used in nonprofit practices of earned income generation (Keohane, 2013). While it may seem as though both the nonprofit sector and for-profit sectors are operating within the same sphere when engaging in social entrepreneurship, this viewpoint creates noteworthy tensions stemming from the sectors' inherent differences.

Historically, Weerawardena, McDonald, and Mort (2014) point out that "sustainability of for-profit businesses has been the implicit primary focus of the strategic management literature over the last few decades" but these theories discount the inherent differences that make the nonprofit sector unique. While these cross-sector comparisons can be useful in analyzing the

nonprofit sector's approach to earned income strategies, it can hinder an organization's ability to assess financials, mission progress, and fundraising strategies accurately. Adding to these challenges of improper comparison, nonprofit organizations struggle with implementing a more appropriate framework inclusive of social value. This confusion largely stems from lack of standard metrics in identifying social value itself. Lack of formalized measures for social value creation play a significant role in challenges nonprofits face when utilizing an integrated model approach appropriate to the sector. The sector itself struggles in truly defining and understanding criteria for distinguishing social value and commercial value creation. Therefore, an integrated nonprofit model approach ultimately suffers in its inability to define organization effectiveness in this context.

Challenges in Defining Nonprofit Social Value

As previously stated, the vagueness surrounding the conceptual framework for social value creation greatly impacts the effectiveness of the integrated model. Previous authors have cautioned against nonprofits engaging in earned income generation due to issues of "legitimacy, mission drift…[,] lack of proper management capabilities," withdrawal of donor or government funding, and potential for excluding intended beneficiaries (Gras & Mendoza-Abarca, 2014; Foster & Bradach, 2005). These challenges can be organized in the following areas: (1) managerial capacity; (2) financial accounting; and (3) program evaluation in a social context.

Consequently, while more nonprofits are utilizing various strategies to build earned-income, Zalnona, Ahmadb, Atanc, Bakare, and Sarmanf (2014) argue that "managers continue…to make trade-offs between increasing productivity for financial gain" and their mission related activities. This conflict has frequently been referenced as mission drift. Along

with the common issue of mission drift, Green and Dalton (2015) extract deeper systemic meaning in the challenges that nonprofits face when employing a "philanthro-capitalistic" lens, warning a reinforcement of the "hegemonic idea that a business-oriented model" is the solution to nonprofit problems. While these problems are certainly prevalent in nonprofits, it is also important to evaluate competencies divorced from the idea of business practices. For instance, Wronka-Pospiech (2016) proposes that nonprofits engaging in social entrepreneurial practices would be best led by managers with "business track record[s] and in-depth knowledge of formal issues," implying that managers with business backgrounds are more exposed and capable of handling risk, opportunity, and growth. It is peculiar that these characteristics are so commonly associated with for-profit business sectors when they are also frequently faced by nonprofit managers.

Without common understanding of the social value an organization is creating, these issues are exacerbated by improper accounting and therefore, improper strategic planning for organizational financial and program sustainability. The call for clarity in social value creation is widespread throughout the nonprofit sector and can be seen on many levels. As Kroeger and Weber (2014) point out, clear understanding of both commercial and social values has yet to be developed, therefore making the process of accessing value in a social context, quite difficult to achieve.

Many scholars and analysts have attempted to define social value creation through various methods of measurement. Kuratko, McMulle, Hornsby, and Jackson (2016), developed a social corporate entrepreneurship scale (SCES) to "engage an organization's readiness to engage in social corporate entrepreneurship," ideally helping organizations to capture social value creation in the process. Kuratko, et al. (2016), built the SCES upon the framework of the

corporate entrepreneurship assessment instrument (CEAI), an already established tool used to measure entrepreneurship "as it related to the creation of financial value" (Kuratko, Hornsby & Covin, 2014). The SCES measures the antecedents of social value creation, gauging an organization's self-reported ratings on the five areas of stakeholder salience, social proactiveness, governance, and transparency. While the SCES may be heavily concerned with capturing social value creation within the context of a for-profit lens, one could argue its intended use could be modified for nonprofit organizations by redefining the stakeholder element. Regardless of the context, the SCES could provide use in assessing organizational elements needed in the process of social value creation and therefore, the integrated model. Indeed, Kroeger and Weber (2014) posit that since a foundational understanding of social value creation has yet to be attained, it would be beneficial to clarify the meaning of social value through integration of best practices on organizational effectiveness. Kuratko et. al's SCES (2014) could be the tool needed to bring clarity to the meaning of organizational effectiveness and readiness through a social context lens, serving as a great resource to address managerial competencies. Unfortunately, the SCES still lacks in being able to define and measure social value itself and would not be able to address all three challenge areas alone.

Is your organization conducive to the continuous creation of social value?

Table 1. Antecedents for social value creation

Factor	Research Citations
Stakeholder Salience	Vanderkerckhove & Dentchev, 2005; Clarkson, 1988, 1995; Mitchell, Agle, & Wood, 1997; Waddock & Graves, 1997; Agle, Mitchell, & Sonnenfeld, 1999; Mair & Marti, 2006; Kuratko, Hornsby, & Goldsby, 2007.
Social Proactiveness	Clarkson, 1988, 1995; Gilbert, 1988; Miles & Snow, 1978; Porter, 1985; Covin & Slevin, 1989; Ozmoyer, Calantone, & DiBonnetto, 1997; Shrivastava, 1995; Schot & Fischer, 1993; Azzone & Bertele, 1994; Buysse & Verbeke, 2003; Carroll, 1979; Wartick & Cochran, 1985; Jauch & Glueck, 1980; Sandberg, 2002.
Governance	Zahra, 1996; Dalton, Daily, Ellstrand, & Johnson, 1998; Dalton, Daily, Johnson, & Ellstrand,1999; Dalton, Daily, Certo, & Roengpitya, 2003; Forbes & Milliken, 1999; Zahra, Neubaum, & Huse, 2000; Daily, Dalton, & Cannella, 2003; Certo, 2003; Sundaramurthy & Lewis, 2003.
Transparency	Gray & Collison, 1991; Roberts, 1992; Lowenstein, 1996; Solomon, 2000; Wheeler & Elkington, 2001; Livesey & Kearins, 2002; Lacy, Cooper, Hayward, & Neuberger, 2010.

Figure 1. Kuratko, McMulle, Hornsby, and Jackson (2016), developed a social corporate entrepreneurship scale (SCES)

As mentioned earlier, an additional challenge in defining social value creation is the "social" element itself (Kroeger and Weber, 2014). In comparison to commercial value of the for-profit sector, which is measured primarily by financial profit or loss, social value is typically thought of in broader terms of welfare improvement. Although the terminology may be different, the distinction between social and commercial value is widespread within the nonprofit sector. For instance, Mook, Quarter, and Richmond (2007) neatly separate an organization's value creating resources into economic and intellectual capital.

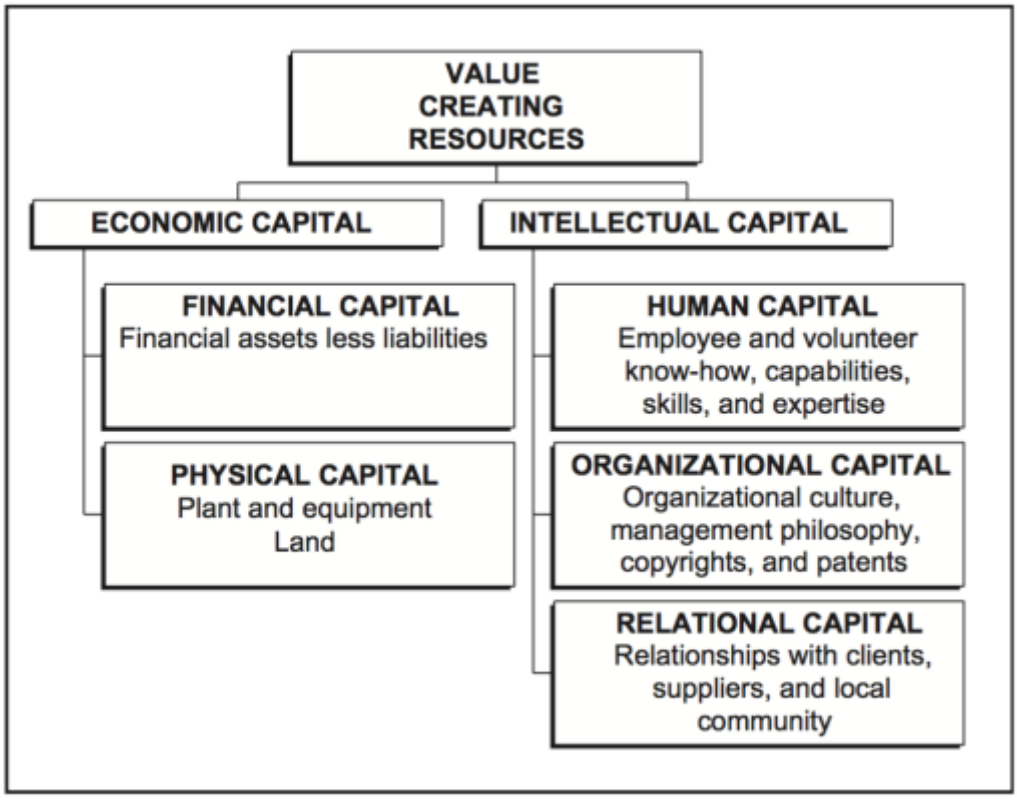

Figure 2. Value Creating Resources of an Organization, Mook, et al. (2007),

While this differentiator may hold true if "one type of value created clearly dominates the other," distinction between social and commercial benefit can become unclear in situations where they are equally dominate, e.g., nonprofit organizations effectively using an integrated model (Kroeger and Weber, 2014). Since more nonprofits are engaging in an integrated approach toward sustainability, and because value creation continues to be an ever-changing process, it is vital for the sector to begin developing clear definitions of social value creation that are appropriate for the various missions social services pursue as well as cognizant of the changing contexts associated with an integrated model.

Implications of an Integrated Model

Setting the Foundation

With more and more nonprofits engaging in the integrated model approach, it is clear that the sector sees benefit in this method. With growing prevalence within the sector, it is imperative for organizations to begin intentionally planning and preparing for integration to ensure a balance between financial efficiency and programmatic effectiveness. Through review of the literature, an integrated model has been characterized as imitation of the for-profit model, but this view egregiously undercuts the power the nonprofit sector intrinsically holds (Dees and Anderson, 2003). Idealizing a for-profit model as the solution to nonprofit problems neglects the fact that many social services are not easily financially translatable.

To combat this, a nonprofit utilizing the integrated model must also adopt and try to influence a shift in "emphasis between market and social structures within economic theory and practice" to reflect Kevin Jackson's (2014) concept of economy of mutuality. Operating within an economy of mutuality will mean having to acknowledge the sector-wide ambiguity on defining social value creation, by implementing intentional practices to compensate.

Economy of mutuality: institutional analysis and design							
Social economy				Market economy			
Charities/ non-profit enterprises	Hybrid social enterprises						Traditional for-profit enterprises
Pure not-for-profit goal	Non-profit with trading/business activity as part of delivery model	Organization working toward financial sustainability (some grants)	Breakeven—all revenues from trading activities	Profits made, but not distributed back into mission	Profits made and (some) distributed to investors; profits likely to be lower due to social mission	Commercial, competitive, and profit maximizing; social value proposition built into business model	Profit- making goal for end of financial sustainability
Full subsidy	Partial subsidy		Trade-offs			Profit maximizing	

Figure 3. Kevin Jackson's Economy of Mutuality, Economy of Mutuality: Merging Financial and Social Sustainability, 2014

As with the challenge areas discovered through previous literature, nonprofit organizations implementing an integrated model can best prepare if these challenges are seen as inherently implied. Therefore, nonprofit organizations can focus efforts on the following

strategies to improve model integration and balance mission achievement: (1) evaluate organizational and managerial readiness for integration through use of Kuratko et al.'s (2016) SCES framework; (2) improve accuracy of financial accounting by implementing Mook's (2014) Nonprofit Integrated Social Accounting model; and (3) develop appropriate, mission-based indicators for program evaluation that go beyond financial measures.

Challenges of Model Integration: Incorporating Integration Strategy

While the above strategies will ideally prepare a nonprofit organization to strategically understand how to implement an integrated model without losing mission integrity, the strategies do not fully protect from the inherent challenges of model integration. As referenced by past authors, an integrated model brings about challenges of mission drift, developing "new patterns of dependence"—especially if the organization is at the whim of market risks—and "lack of proper management capabilities" (Green & Dalton, 2015; Gras & Mendoza-Abarca, 2014). These challenges should be taken into consideration when using an integrated model approach, of which mission integrity should be the highest concern. A heavy focus on mission is what continues to make the nonprofit sector unique and necessary for its beneficiaries. With these challenges in mind, mission should always be at the forefront of integration, to "define the specific strategies needed to attain crucial goals" (Byerly, 2014).

For nonprofits constantly struggling with unsteady revenue streams, it is easy to comprehend how any income generating activity could be quickly seen as integral to mission integrity. Earned income after all, provides additional funding necessary to continue program, relieve "income stability," and establish "self-sufficiency," for some organizations (Gras & Mendoza-Abarca, 2014). While this can certainly be true, past scholars agree that "organizations may have trouble adapting to the demands of the market," either losing focus of the "core

purpose of the organization" in favor of high performing revenue generating practices (Kuratko, et al., 2016; Green & Dalton, 2015).

The challenge of mission drift and market based dependency is ideally where Point (3) of the integration strategy would assist. By developing appropriate, mission-based indicators for program evaluation that go beyond financial measures, organizations can analyze program effectiveness in a manner more consistent with mission. Kuratko, et al. (2016) propose measuring programmatic intervention "relative to the social need of the particular treatment group," as opposed to financial outcomes resulting from intervention. This would include having to define the indicators of program success.

While indicators for what successful mission achievement will vary across nonprofits, there are many tools and strategies that organizations can use to gauge program effectiveness. Sawhill and Williamson (2001) provide three options for measurement: (1) narrowly define the scope of the mission; (2) invest in outside research to determine if the work is having its intended affect; or (3) develop smaller scale goals that can translate to imply larger success. Regardless of the method chosen, it is critical for nonprofits to evaluate program effectiveness through a mission-focused lens. The import increases especially in an integrated model and can help ensure that organizational decisions are being made strategically to advance the mission, not in response to market pressure. In turn, appropriate program evaluation practices can lessen the risk of mission drift and dependency on market based initiatives while ensuring program beneficiaries remain a priority.

In addressing the challenges of organizational management capacities, combining both an adapted version of Kuratko, et al.'s (2016) social corporate entrepreneurship scale (SCES) and Mook's (2014) Nonprofit Integrated Social Accounting model would both prepare an

organization to pursue an integrated model and help "justify their pursuit of social and environmental goals in economic terms" (Gray, Dillard & Spence, 2011 as cited in Mook, 2014). Both concepts are integral to the success of an integrated model if nonprofit organizations are to move toward a more strategic approach of adaptation and evaluation.

For setting the organizational and managerial foundation for social value creation, Kuratko et al.'s (2014) SCES will assist organizations assess their capacities within nine elements: (1) management support; (2) work discretion/risk taking; (3) rewards/reinforcement; (4) resources; (5) organizational structure; (6) social proactiveness; (7) stakeholder salience; (8) governance; and (9) transparency (refer to Figure 4 for a detailed survey). While a risk of using the SCES is the inaccuracy of self-reported data, organizations that are critically identifying their areas of strengths and weaknesses will at the very least be entering into the integrated model with these nine elements in mind. Ideally, this process would be done before an organization decides to pursue or grow its pursuit of earned income, but one could argue the SCES still maintains usefulness within organizations already heavily implementing an integrated model. In this case, the SCES would provide a valuable opportunity to assess current operations against managerial perceptions.

SOCIAL CORPORATE ENTREPRENEURSHIP SCALE (SCES)

We are interested in learning about how you perceive your workplace and organization. Please read the following items. On the line to the left of each item please indicate how much you agree or disagree with each of the statements. If you strongly agree, write the number "5." If you strongly disagree, write the number "1." There are no right or wrong answers to these questions so please be as honest and thoughtful as possible in your responses. All responses will be kept strictly confidential. Thank you for your cooperation!

5 - Strongly Agree
4 - Agree
3 - Not Sure
2 - Disagree
1 - Strongly Disagree

Element 1: Management Support

___1. My organization is quick to use improved work methods.
___2. My organization is quick to use improved work methods that are developed by workers.
___3. In my organization, developing one's own ideas is encouraged for the improvement of the corporation.
___4. Upper management is aware and very receptive to my ideas and suggestions.
___5. A promotion usually follows from the development of new and innovative ideas.
___6. Those employees who come up with innovative ideas on their own often receive management encouragement of their activities.
___7. The "doers on projects" are allowed to make decisions without going through elaborate justification and approval procedures.
___8. Senior managers encourage innovators to bend rules and rigid procedures in order to keep promising ideas on track.
___9. Many top managers have been known for their experience with the innovation process.
___10. Money is often available to get new project ideas off the ground.
___11. Individuals with successful innovative projects receive additional rewards and compensation beyond the standard reward system for their ideas and efforts.
___12. There are several options within the organization for the individuals to get financial support for their innovative projects and ideas.
___13. People are often encouraged to take calculated risks with new ideas around here.
___14. Individual risk takers are often recognized for their willingness to champion new projects, whether eventually successful or not.
___15. The term "risk taker" is considered a positive attribute for people in my work area.
___16. This organization supports many small and experimental projects realizing that some will undoubtedly fail.
___17. An employee with a good idea is often given free time to develop that idea.
___18. There is considerable desire among people in the organization for generating new ideas without regard for crossing departmental or functional boundaries.
___19. People are encouraged to talk to employees in other departments of this organization about ideas for new projects.

Element 2: Work Discretion (Risk Taking)

___20. I feel that I am my own boss and do not have to double check all of my decisions with someone else.
___21. Harsh criticism and punishment result from mistakes I make on the job.
___22. This organization provides the chance to be creative and try my own methods of doing the job.
___23. This organization provides the freedom to use my own judgment.
___24. This organization provides the chance to do something that makes use of my abilities.
___25. I have the freedom to decide what I do on my job.
___26. It is basically my own responsibility to decide how my job gets done.
___27. I almost always get to decide what I do on my job.
___28. I have much autonomy on my job and am left on my own to do my own work.
___29. I seldom have to follow the same work methods or steps for doing my major tasks from day to day.

Element 3: Rewards/Reinforcement

___30. My manager helps me get my work done by removing obstacles and roadblocks.
___31. The rewards I receive are dependent upon my work on the job.
___32. My supervisor will increase my job responsibilities if I am performing well in my job.

___33. My supervisor will give me special recognition if my work performance is especially good.
___34. My manager would tell his/her boss if my work was outstanding.
___35. There is a lot of challenge in my job.

Element 4: Resources

___36. During the past three months, my work load kept me from spending time on developing new ideas.
___37. I always seem to have plenty of time to get everything done.
___38. I have just the right amount of time to and work load to do everything well.
___39. My job is structured so that I have very little time to think about wider organizational problems.
___40. I feel that I am always working with time constraints on my job.
___41. My co-workers and I always find time for long-term problem solving.

Element 5: Organizational Structure

___42. In the past three months, I have always followed standard operating procedures or practices to do my major tasks.
___43. There are many written rules and procedures that exist for doing my major tasks.
___44. On my job I have doubt of what is expected of me.
___45. There is little uncertainty in my job.
___46. During the past year, my immediate supervisor discussed by work performance with me frequently.
___47. My job description clearly specifies the standards of performance on which my job is evaluated.
___48. I clearly know what level of work performance is expected from me in terms of amount, quality and timeliness of output.

Element 6: Social Proactiveness

___49. I find that my company is very proactive in how it deploys resources for social issues.
___50. My job description clearly identifies activities that are socially impactful.
___51. I clearly know that the quality and timeliness of my performance is directly related to a social cause that my company is pursuing.

Element 7: Stakeholder Salience

___52. During the past year, I could recognize the stakeholders that my company deemed important.
___53. My job description clearly specifies the stakeholders that I am focused upon.
___54. The stakeholders that my company seeks to satisfy are apparent to me every day.

Element 8: Governance

___55. The command and control structure of my company is clearly balanced for cooperation.
___56. The board of directors has independent directors that oversee the executives directly.
___57. My manager's compensation is tied directly to performance that includes social impact.
___58. I clearly know what level of social entrepreneurship activity is expected by senior management.

Element 9: Transparency

___59. During the past year, my company has issued public statements concerning their social involvement.
___60. My company uses some of the latest social media to communicate to various stakeholders about performance results in environment, social, and economic areas.
___61. I clearly know that my work results relate to social issues and it will be communicated to the public by my company.

Figure 4. Social Corporate Entrepreneurship Scale (SCES), Kuratko, et al., 2016

Along with the SCES, Mook's (2014) Nonprofit Integrated Social Accounting (NISA) model would be a tool organizations could use to assess effectiveness. Like the SCES, the NISA model measures effectiveness across four elements: "1) economic and human resources; 2) economic, social, and environmental value creation; 3) internal practices; and 4) organizational learning and innovation" (Mook, 2014). The NISA model is particularly cognizant of the challenges associated with the vagueness of social value creation. Therefore, along with these four elements, the NISA model also accounts for commonly overlooked aspects of nonprofit operations (such as social goals) by systematically integrating data resulting from social interventions into its accounting statement (Mook, Quarter, & Richmond, 2007 as cited in Mook, 2014). This variation from traditional financial accounting, which helps "monitor financial viability," or for-profit social accounting, which has a main objective of "demonstrating [for-profit organizations] are not purely economic," the NISA model has the potential to pair perfectly with the SCES, ensuring the social values identified before model integration are kept at the forefront of all reporting and accounting.

Figure 5. A Conceptual Framework for a Nonprofit Integrated Social Accounting (NISA) Model, Mook, 2014

Benefits of the Integrated Model

Regardless of the challenges an integrated model brings to the nonprofit sector, the benefits stemming from this model diversification are undeniable. Pursuit of social entrepreneurial practices has grown not only in the United States, but has been well practiced by European social enterprises and social benefit organizations (Gramescu, 2016). An integrated model approach has allowed the sector to become innovative in its approach to revenue diversification, cognizant of the value it brings, and competitive in a value-plural environment of both social justice and economic significance. While it is true that the general framework for the integrated model still calls for clarity and refinement, the sector continues to improve upon its revenue-generating strategies. Through review of previous research, many scholars agree that the integrated model is a way to balance philanthropic funding, provide self-sufficiency, and a pathway to "deliver social value to clients" (Foster & Bradach, 2005; Gras & Mendoza-Abarca, 2014; Weerawardena, McDonald, & Mort, 2010). Ultimately, an integrated model affords nonprofits the freedom and flexibility to "add value in raising awareness and relationship-building" through the "alignment between organizational values, identity, and commercial strategies" (Addicott, 2017).

Methodology

Data Collection

The research for this capstone was conducted through secondary and primary data collection. Primary data was collected through expert interviews and data listed in original Form 990s from the current and previous fiscal years. Three experts in the nonprofit field were interviewed, two from Playworks and one from a competitor nonprofit organization, the Exploratorium. While the two differ in the scope of fee-for-service programming, the comparison focuses on strategies, success, and challenges at approaching an integrated model. Research methodology used to select expert interview participants was through purposive sampling. The initial criteria to qualify as an expert interviewee from Playworks for this capstone was direct knowledge and involvement in revenue generating services. The two expert interviewees from Playworks were:

- Hector Salazar, Director of Partner Experience, Playworks
    - Email: hector.salazar@playworks.org
- Jessica Steele, Evaluation Manager, Playworks
    - Email: jessica.steele@playworks.org

The competitor organization and respondent were also chosen through purposive sampling methodology. The competitor organization had to meet the criteria of engaging in revenue generating services and the interviewee also had to meet the same proposed criteria of knowledge and involvement in revenue generating services. Competitor organization and interviewee mainly served as a comparison interview, and the organization was not examined as in-depth as the primary organization, Playworks. The interviewee from the Exploratorium was:

- Silva Raker, Managing Director, Global Studios, Exploratorium

- Email: sraker@exploratorium.edu

For in-depth data collection of the primary organization, secondary data was collected from program evaluation results from the current fiscal year (2016-2017). These results were used to specifically examine beneficiary response to organizationally developed indicators of program success. Additional secondary data was collected through an exploration of existing research on the integrated model. Review of nonprofit literature from the past ten years (specifically focusing on variations and components of earned income generation in the nonprofit sector) was collected and analyzed through a literature review. These secondary data sources came from scholarly journals, articles, and papers found using resources provided by the University of San Francisco library.

Reliability, validity issues, and the analytical process

Reliability for program evaluation data received from survey results had been achieved by the Playworks evaluation team through development of indicators that possessed the ability to replicate results in different environments—school sites in this case (Simon, 2011). In terms of the qualitative primary data gathered from expert interviews, quality and dependability were established through member checking and allowing stakeholders to provide feedback on the interview process and question guide. Member checking was performed at the time of the interviews. Due to this fact, member checking may have influenced quality of collected responses and hindered the authenticity of what interviewees wanted captured. In addition, it is recognized that the sample size collected for this analysis was relatively small.

The analysis of both primary and secondary data was completed in three segments and in relation to the capstone's proposed strategic framework for best approaching an integrated model. Since Playworks already developed mission-based indicators for program evaluation, the

first segment of analysis focused on comparing the data from Playworks' Form 990 and the results generated from the Great Recess Framework to determine the relationship between revenue generating services and reported finances. Analysis of segment 1 focused on two questions: (1) Do their financials suffer from pursuing revenue generating services?, and (2) Does mission attainment suffer in any way?

The following segments of analysis sought to examine Playworks' performance under the remaining areas of the proposed framework for model integration—managerial capacity, and financial accounting. Segment 2 analyzed the form 990 in context of Mook's (2014) Nonprofit Integrated Social Accounting Model (NISA). Section 3 examined the expert interviews to speculate on the self-reported challenges Playworks encounters in model integration.

Findings

Driving research Question 1: *What are the underlying barriers to successfully implementing an integrated model sector-wide?*

Findings from analyzing the secondary data of previous literature on nonprofit earned income generation point toward the foundational ambiguity of social value capital as a major barrier to successfully implementing an integrated model (Kroeger and Weber, 2014). This ambiguity contributes to the challenges in defining and measuring appropriate indicators for program success and therefore, also hinders an organization's ability to strategically balance efficiency and effectiveness.

Analysis of Playworks provided insightful data on an organization that has been able to successfully create reliable indicators for program success and capture a way to evaluate mission achievement. With the understanding of the underlying barrier of ambiguity, a secondary question when analyzing Playworks' indicators of program success was the effect of the integrated model on program and financial growth. Through comparison of Playworks' past two

fiscal year Form 990s and results from the Great Recess Framework survey, the data indicate that (1) revenue and contributions continue to grow despite increased investment in fee-for-service programing, and (2) beneficiaries of fee-for-service programming are reporting improvements in program indicators of safety, engagement, and empowerment in youth thanks to Playworks service intervention. Additionally, an increased focus on revenue generating services did not decrease the amount of funding that Playworks received from fiscal year 2014-2015 to fiscal year 2015-2016. Revenue and support from contributions and grants more than doubled within that time frame, indicating that funders did not decide to withdraw support due to an "overreliance on commercial income," and instead increased their funding (Gras and Mendoza-Abarca, 2014).

In analyzing program effectiveness and mission integrity, Playworks developed the Great Recess Framework (GRF). The newly implemented GRF assesses the quality of recess and measures a school's level of safe and healthy play. The tool measures identified indicators for safety, engagement, and empowerment and ranks on a 1-4 scale, 4 being most successful. Based on the results from 276 schools, data show a steady increase in schools experiencing safe and healthy play from fall 2016 to spring of 2017. These findings imply that Playworks is able to balance mission attainment and financial efficiency within an integrated model.

Playworks Audited Financials (Past Two Fiscal Years)

Year	Assets	Contributions/grants	Total expenses
FY14-15	9,345,247	16,184,027	30,057,460
FY15-16	26,558,507	34,084,633	33,233,395

Great Recess Framework (GRF) Survey Results (FY16-17)

	Safety	Engagement	Empowerment
Fall	3.3	3.0	3.1
Spring	3.4	3.2	3.4

**GRF scale: 1-4, 4 being most successful*

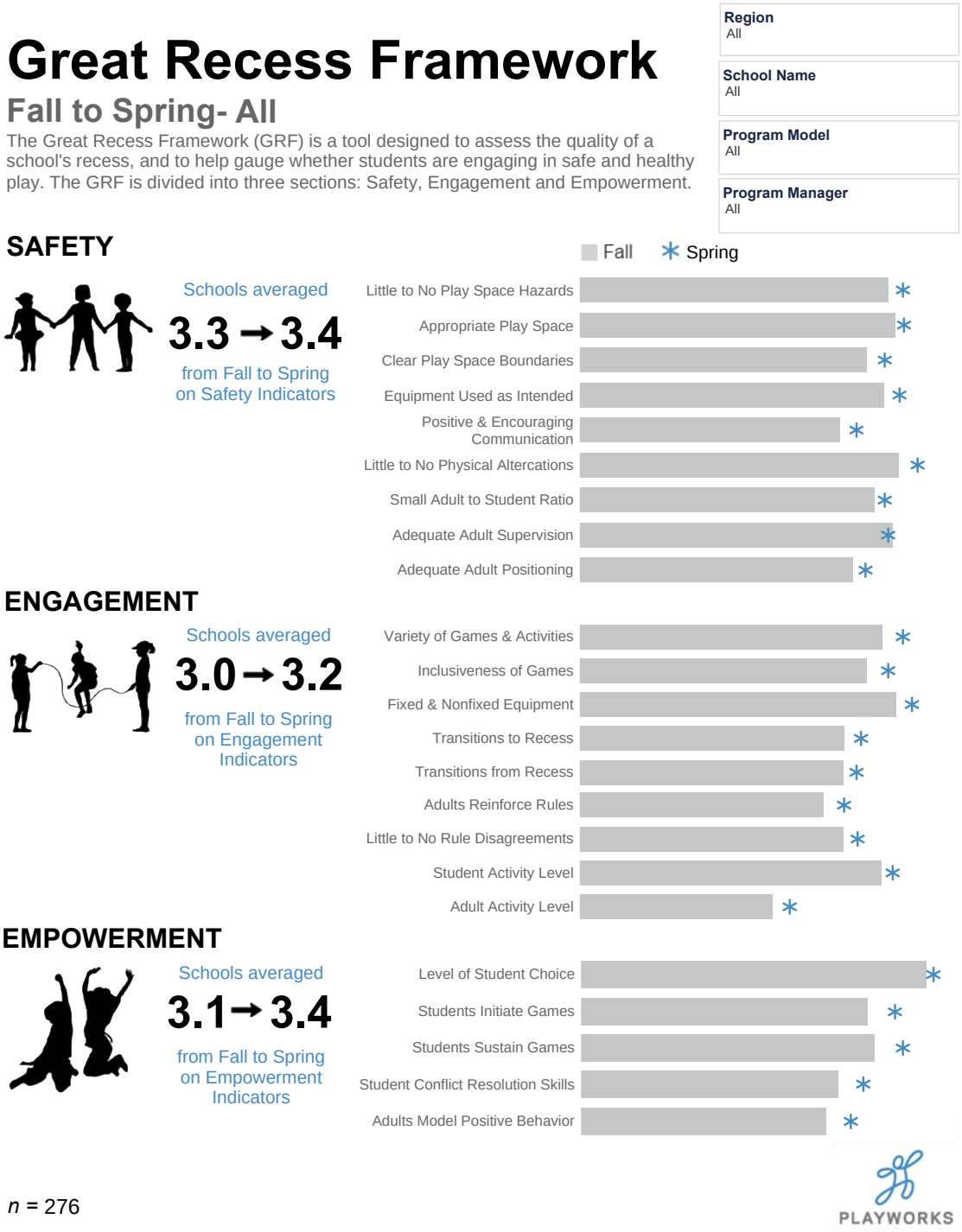

Figure 6. The Great Recess Framework: Survey Results, Fall to Spring 2017, Playworks, 2017

Driving research Question 2: *From an organization's perspective, what are the challenges associated with pursuing an integrated model?*

Using the proposed framework as a guide for analysis, findings from primary sources (Form 990s and expert interviews) indicated that while Playworks has successfully developed indicators for program evaluation, challenges still occur in both financial accounting and organization capacity. In context of Mook's (2014) Nonprofit Integrated Social Accounting (NISA) model, the Form 990 from fiscal year 2015-2016 reveals attempts at monetizing contributions in-kind to add to the organization's total support. For the fiscal year ending in 2016, Playworks monetized the following services and items: (1) legal and accounting services, $513,916; (2) office space, $303,409; (3) auction items, $8,382; and (4) other contributions, $126,989, for a total of $952,696 of contributions in-kind. The purpose of assessing the Form 990s in context of the NISA model is to assess if Playworks is balancing efficiency and effectiveness while "considering the interplay of economic, social, and environmental factors" (Mook, 2014).

The inclusion of contributions in-kind show that Playworks makes attempts at monetizing services and donations at fair market value, but has yet to truly consider additional economic, social, and environmental factors in its financial accounting model. For instance, like many other nonprofit organizations, Playworks heavily relies on volunteer services to run programs efficiently, but has yet to develop a system to appropriately translate these services into a monetary value that can be used to increase reported support. The organization is moving toward developing a systematized way to capture this data. For instance, Playworks captured the value of one day of volunteer service across their regions for Martin Luther King, Jr. Day and reported this impact value at $36,438. Adding in just this day of service would increase Playworks' contributions in-kind support from $952,696 to $989,179.

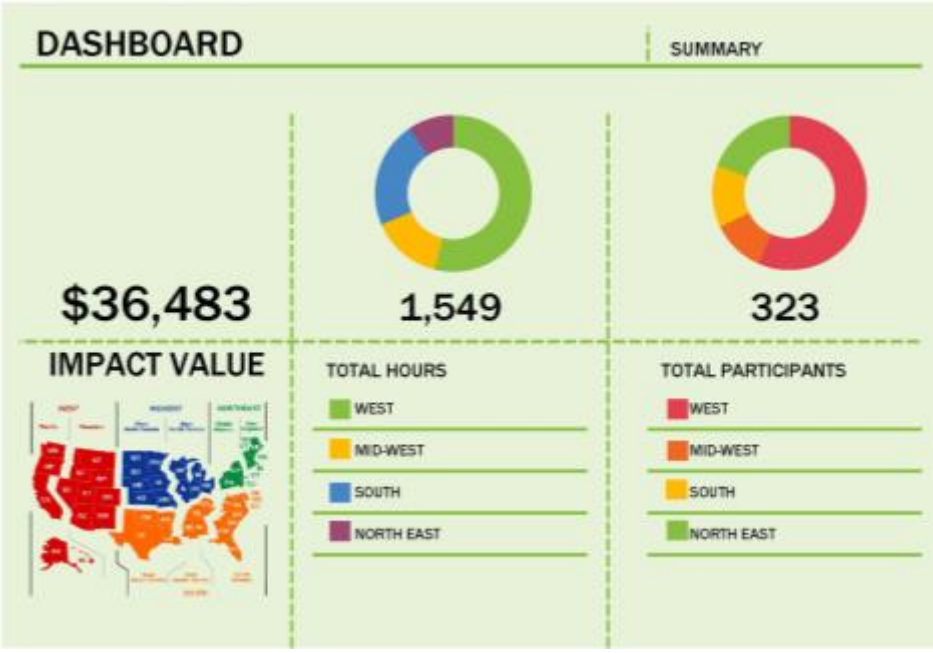

Figure 7. MLK Day 2017 Last, M (Personal Communication, April 2017)

Analysis of expert interviews point toward themes in managerial challenges Playworks experiences in model integration and program expansion. One hundred percent of interview respondents reported that growth and implementation of revenue generating practices were the result of financial response and not organization evaluation. In regard to organization evaluation, it was interesting to hear that program evaluation and expansion of sales was still a challenge even with the development of the Great Recess Framework. One hundred percent of Playworks respondents mentioned challenges in balancing the sales of services and providing services that are actually needed by community without sacrificing program quality.

While all participants recognized response to revenue generating practices was in connection to the revenue itself, 100% of participants also recognized the mission value the programs contained. When asked if pursuing revenue generating practices risked mission integrity and excluded a portion of intended beneficiaries, 50% of Playworks respondents

responded "yes," while the competitor organization, the Exploratorium, strongly felt otherwise. As fee-for-service programs continue to grow within both organizations, it will be important for staff and organizational leaders to remember that fundraising "should not be the primary focus," and programs should always give way and adapt innovatively if intended beneficiaries are becoming excluded (Stecker, 2014).

Discussion and Recommendations

While Playworks has implemented a strong framework for program evaluation, this tool seems to be in response to program growth and has yet to help the organization strategically plan for continued growth of its revenue generating services. This causes the target goals for model integration to be arbitrarily decided by management and therefore not completely aligned with mission achievement. While it could be argued that providing services to any schools could fall under Playworks' overall mission, expert interview respondents admitted a struggle in providing services communities actually needed, indicating that service for the sake of service is not enough to achieve the mission of providing safe and healthy play in all communities.

In analyzing Playworks' current model under the suggested framework for model integration, the following recommendations are proposed:

1. **Allow room for evaluation and sales to influence on another:** The well-defined indicators for program success and results seems to be an effective measurement for mission attainment but have yet to inform fee-for-service goals and expansion. Evaluation and the Great Recess Framework could be used to identify key regions in need of Playworks services.
2. **Address challenges in managerial competencies:** Analyze challenges as self-reported by staff in expert interviews to gauge if organization/managerial preparedness is present.

If not, Playworks should consider taking a modified Social Corporate Entrepreneurship Scale (Kuratko, et al.,) to help assess gaps in managerial competencies needed within an integrated model. Understanding what staff and leadership consider the organization's weakest areas can help Playworks strategically plan how to address challenges in program growth through well-developed trainings.

3. **Develop comprehensive onboarding and training to educate staff on fee-for-service programming**: Once managerial competencies are addressed, it will be important to reinforce the skills and knowledge needed across staff. Educate staff on fee-for-service programming in the context of mission achievement.
4. **Incorporate a financial accounting model that can translate and account for non-monetary assets:** Implementing Mook's (2014) NISA model will require Playworks to think innovatively about non-monetary assets and standard processes. In order to incorporate intangible assets and services, Playworks will have to start developing systems of measurement for important contributions such as volunteer services. Data collection and preservation for these non-monetary assets will have to be just as important as donation data stored in the organization's customer relationship management software.

It is also recommended that Playworks consider incorporating the Expanded Value Added Statement into its financial model to addresses three question areas: (1) what is the economic value created? (2) what is the social value added? (3) what is the environmental value or impact? (Mook, 2014). Below is a suggestion for integrating the elements needed with a few of Playworks current practices.

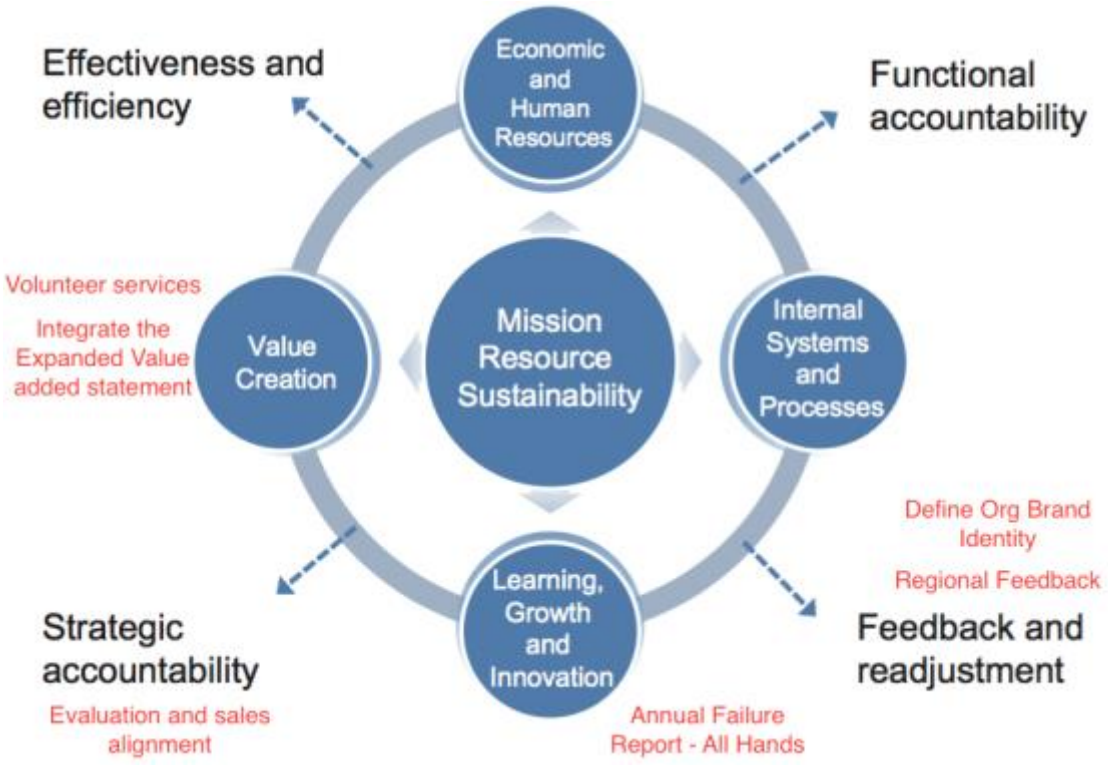

Figure 8. Interaction of Playworks Elements, Adapted from Mook (2014).

While the above recommendations may help improve Playworks operate under an integrated model, it must be recognized that Playworks has invested considerable capacity and resources to develop mission-based indicators. The framework and suggestions may work for organizations similar to Playworks, but smaller organizations may have difficulty determining program success without the tools such as the Great Recess Framework. With this in mind, the following suggestion is meant for the nonprofit sector as a whole:

1. **Define social value creation:** It will be imperative for the sector to develop common language and measurement tools for organizations of various sizes and resources to measure their social value creation. While tools have been developed to measure social impact, the ambiguity remaining around social value creation has hindered the sector's

ability to capture its influence in a wider, cumulative context. Defining social value creation will allow the sector to communicate its impact to a wider audience.

Conclusion

The findings in this capstone build upon previous literature regarding how to approach an integrated model. While previous scholars have suggested strategies to address an integrated model, many of these strategies work off the assumption that basic organizational competencies are already met and that a common understanding of social value creation is established. Regardless, the findings also suggest that even nonprofits seeing financial success in building revenue generating services can find challenges in balancing efficiency and effectiveness. To combat the inherent challenges from an integrated model without a clear sector-accepted definition of social value capital, nonprofits will need to intentionally build competencies in the areas of managerial capacity, financial accounting, and program evaluation.

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