

## **Assessment of Nonprofit Organizations Performance in Iran**

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**Abstract:** *Nonprofit Organizations are established and act for religious, charitable, scientific, public health purposes and those related to educational aims. In this paper we have an investigation and assessment of these organizations as performance and as a compare with governmental once. Result will show the necessary steps for having an acceptable assessment.*

**Keywords:** *nonprofit, assessment, organization*

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### **I. Introduction**

It seems the most important mission of Not-for-profit organizations in society is to consider social issues as well as value in a society. Contrary to economic institutes, whose massive goal is absolute profitability, that maybe refuse to consider the society's values in order to reach the mentioned goal, not-for-profit Organizations follow society's social and value purposes by financial and economic activities. At first it may be thought that not-for-profit organizations have no need to assess their activities because they are not obliged to be responsible for profit and lose, as much as commercial organizations have to. Although in particular, the mission of access to social values and ignorance of profitability of such organizations promote that opinion, the truth is totally adverse since millions of private partners help society by corporation in nonprofit organizational activities, and by their financial aids assist to access organizational goals, as well as volunteers who generously gather monetary assistance voluntarily, and... are accountable even more than commercial companies and economic institutes.

### **II. General features of nonprofit Organizations**

In order to recognize not-for-profit Organizations, some features of them are mentioned and comparing by enterprises and commercial companies as follow:

- The mission and organizational goals are the main difference between nonprofit and profit organizations. The major mission of nonprofit ones is access to social and value purposes, so their economic and financial activities are to reach such goals, while profitability is the principal purpose of enterprises and commercial companies. Nonprofit organizations are structurally different from other organizations. They have no stockholders. The control and steering of activities are done by a board of directors consisted of some social leaders with no personal economic intentions, and then such organizations have varying ownership structure. In such companies, alongside the board of directors and executive staff, some volunteers interested in social values are engaged in activities. They are voluntarily in organization and help it to gather public aids, publicize organization's values and to determine members of the board of directors. The extra importance of volunteers has made nonprofit organizations emphasize organizing and encouragement of them in society.

The main source of budget for nonprofit organizations is public participations. However, they have had challenges of financing recently. It is clear not to focus on business profit, but according to Harris research, the source of financing from outside the organization has been decreased since 1984. On the other hand, they would not be able to support their organizational purposes if they can't discover financial sources. The policy of these organizations has been to support the company through the management of working capital, preserving the nature of nonprofit organization evidently.

Since they are duty free, their financial management methods have been different from those of enterprises and firms. Due to supplying thousands of various products and services, much low level of risk threatens them because of the variety of products. Also the market risk is not significant for them since the main aim of their stockholders is not just to increase capital. Not-for-profit organizations often need financial statements (balance sheet and so on) though they may be not audited but used by a dependent accountant to review and assess financial activities of organization. New challenge of nonprofit organizations in appropriate financing to access organizational goals has made them consider investment critically, similar to enterprises, successively focus on assessment of performance of working capital and management can be necessary. The assessment is based on real revenue on capital and the ratio of investment in risky assets, then risk and revenue would be criteria of performance assessment. On the other side, it would be necessary to research on factors affecting working capital management of nonprofit organizations. it appears the most important factor of

investment revenue is utilizing specialists who appeal more revenue in such organizations, also performance of these organizations will be influenced by considered motivations of investment. As mentioned one of main basis of action in nonprofit organizations are volunteers involved in major activities such as gathering public aids and charity. Information on your organization which is important for volunteers to know includes:

1. Advantages and results of your organization
2. Mission and purposes of organization
3. Quality of relation between your organization and others
4. The role of volunteers in organization
5. organization structure
6. The main budget of organization
7. History of organization and how to configure
8. Who are involved in the board of directors?
9. Who is the executive director?
10. Who are the key staffs?
11. the actions of each unit of organization
12. How clientele recourse to the organization?
13. Who are the main clientele and customer?
14. guidelines of relation between staffs of organization
15. How volunteers' activities result in organization's goals?

### **III. Assessment of Human Resources**

Human work force is the principle capital of nonprofit organizations, and organization action and access to its goals are depended on their constituent acts, so drawing attention to assess human work force and to feedback can be necessary. A research on the importance of human resources assessment in nonprofit organizations show that costs of human force (e.g. salary, development and education) encompasses more than 75 percent of total costs of those organizations, also assets of work force directly affect on organization performance. Therefore human resources indicators will be the first ratios so as to assessment of nonprofit organizations. Verily Jack Philips in the book "accounting in the management of human resources" considers three chief challenges:

1. Performance of human resources should be incorporated with strategic planning and operational actions.
2. Human work force should be in continuous relation with key managers especially operational managers.
3. Human work force should develop their activities according to the feedback of assessment.

The assessment of human resources is considered using the following indicators:

1. Performance assessment indicators:  
consisted of efficiency index such as movement, employment costs and so on.
2. Strategic Indicators:  
should be a part of and caused by planning process.

#### **Performance assessment indicators**

The following list composed of organization's systems and policies can be as performance assessment indicators of organization used by assessment team with the executive management or even by government. Obviously not all options are needed for all organizations. Some alternatives are specified to not-for-profit organizations and others are common for all.

The Board of Directors (executive Board)

1. Mission and insight
2. Employment and occupation of members of executive board
3. Direction and steerage system of executive board activities
4. Education strategies and development of executive board
5. Policy to handle and surveillance
6. Policy to restrict people
7. Directors and staffs job description
8. Committee structure
9. Review process of directors performance
10. self assessment process of executive board
11. job calendar of executive board for meetings and so on

**B. Planning**

1. The current strategic planning
2. Marketing Planning
3. Programs related to staffs and executive board
4. Program of development and investment
5. Committee programs
6. annual operational plan

**C. Assessment of Results and Plans**

1. Valid assessment Methods of clientele's needs
2. The outcomes of services to estimate clientele's needs
3. Target indicators for each outcome
4. Data collection methods for each of indicators

**D. Information Management**

1. Clientele plan records
2. Volunteers' records
3. Personnel records
4. Financial records
5. Contract records
6. List of Letters

**E. Personnel**

1. Policy to coordinate members (policy provided in a booklet for each member)
2. assessment system of individuals performance
3. career development program
4. Programs of Team Enrichment and development
5. Control and employment systems
6. job description

**F. Communication**

1. Communication Program
2. Annual reporting
3. Communication strategies
4. Brochure, catalogue, ...

**G. Management of Volunteers**

1. Recruiting System
2. Control System
3. maintenance system of volunteers and management of their activities
4. Encouragement strategies

**H. Finance**

1. Finance systems of executive board
2. annual budget
3. finance processes, internal control
4. inventory control system
5. financial flow analysis system
6. accounting system
7. financial statements by balance sheet and so on
8. annual auditing
9. assessment system of financial programs
10. program of financial reporting

**Difficulties of Performance Assessment**

It should be confessed that it is impossible to assess perfectly and flawlessly. using predefined indicators, the possibility of assessment of many of jobs like counseling, teaching, engineering with qualitative nature and some others such as management jobs with dynamic nature decreases. Hence many of assessments

are accompanied by errors therefore deviations should be minimized by appropriate assessment methods. Gary Dessler refers to the following items on difficulties of performance assessment:

1. Unclear standards of performance: using descriptive phrases which defines each feature and consider standards as good or “satisfactory”, poor or “unsatisfactory”.
2. Halo error: instead of considering all factors, assessor deems one or two factors and generalizes them to the whole assessment.
3. Central Tendency: inclination to grade all staffs in a similar level such as average level. in this case, assessor ignore both ends of assessment spectrum “excellent and unacceptable”.
4. Strictness and leniency: inclination to grade very high or very low in performance assessment
5. Bias: tendency to allow individual differences like age, race and gender to affect assessors of staffs.

Heneman and Wexly add the difficulty of recency to the list above, in which the last event retains in assessor’s mind and affects the assessment. Error in assessment occurs when the staff performance is assessed according to their last performance which is clearer in the mind of assessor, not with regard to their performance over a total period. Cascio (1993) refers to comparative error that assessment of each one is influenced by the assessment of another one. if the assessment of first one is medium and the second one is poor, may the first one be graded as excellent, but if we compare the first one with the third one who is excellent, we perhaps classify him/her as poor.

#### **IV. Conclusion**

Because inaccuracy in staff performance assessment causes that assessment system of organization loses its value, much effort is demanded to design methods of performance assessment which minimizes the possibility of error. Supervisors should be encouraged to monitor their staffs constantly and note the quality of their performance. Designing the assessment scales it is necessary to consider, important factors related to the job should be measured, for each of efficient factors, a separate scale should be designed and using various instances of performance, assessor should clearly understand the different level of performance. Assessor should not be obliged to assess a large number of staffs in short and restricted period of time. Assessor must be informed of mistakes and errors usually happen in assessment and try to eliminate such difficulties by giving necessary training.

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