

FINAL EVALUATION REPORT:
STANDARDS FOR EXCELLENCE
REPLICATION PROJECT

May, 2006

PREPARED BY:

LAWRENCE NEIL BAILIS PHD AND ANDREW SOKATCH, PHD

PREPARED FOR:

MARYLAND ASSOCIATION OF NONPROFIT ORGANIZATIONS
BALTIMORE, MARYLAND

FINAL EVALUATION REPORT: STANDARDS FOR EXCELLENCE REPLICATION PROJECT

Lawrence Neil Bailis, Ph.D. and Andrew Sokatch, Ph.D.

Based on fundamental values – such as honesty, integrity, fairness, respect, trust, responsibility, and accountability, these *Standards [for Excellence]* describe how nonprofits should act to be ethical and accountable in their program operations, governance, human resources, financial management, and fundraising....

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.

--Standards for Excellence Institute (2005)

1.0 Introduction and Overview

This final report pulls together the results of more than four years of research and evaluation on the implementation of a five state effort to replicate the Maryland Association of Nonprofit Organizations (“Maryland Nonprofits”) Standards for Excellence Program (“Standards”) in the states of Georgia, Louisiana, North Carolina, Ohio, and Pennsylvania.

The Standards for Excellence Program was created in Maryland in order to develop and pilot test a self-regulation approach to the governance and operation of nonprofit organizations that would help to overcome some of the well-publicized problems of the past, provide an incentive to nonprofit organizations to improve their operations, and give the public increased comfort in contributing to and otherwise dealing with nonprofit organizations. The Maryland Standards for Excellence Program was widely considered to have been successful, and based upon the emerging evidence of its effectiveness, Maryland Nonprofits reached an agreement to engage in a pilot effort to replicate the approach. This report addresses the first three years of this effort, focusing on the impact on the five replication partners and the implications for broader adoption of the model.

Overall, we conclude that:

- The general thrust of the Maryland Nonprofits Standards model is replicable in a variety of different settings;
- The model has been successfully implemented in all five states, including an approach that incorporates certification of adherence to the standards in three states and an approach that stresses voluntary compliance and incentives in the other two;
- However, the process has been more time-consuming and resource-consuming than had been anticipated by many of the replication partners and Maryland Nonprofits, and the progress in certifying nonprofit organizations has been slower than had been anticipated by most—if not everyone; and
- There is both quantitative and qualitative evidence that replication of the model through state associations of nonprofit organizations has led to a more rapid adoption of standards among the members of these associations than among non-members, thereby validating a core premise that underlies the model and approach to replication.

Thus, we believe that the self-regulation approach promoted by the Maryland Association of Nonprofit Organizations has proven itself to be effective, and is therefore worthy of further widespread replication. The major issues facing those who continue to use the certification model within this approach—and those who would join them—involve finding ways to streamline processes so that the cost per nonprofit certified can be lowered and developing an appropriate set of expectations as to how many nonprofit organizations can be certified on an annual basis. Those who do not adopt the certification approach—and who therefore do not have a benchmark of the number of nonprofits certified—inevitably face the challenge of finding another way to demonstrate the difference that they are making.

2.0 Background

The Standards for Excellence Program is one of the nation’s leading approaches to self-regulation of the nonprofit sector, an effort to promote adoption of “best practices” in management and governance. They represent a well-thought out set of principles and practices that are intended to serve as benchmarks in the way that nonprofit associations should operate. According to the current sponsor of the Standards, the Standards for Excellence Institute:

The success of nonprofit organizations depends upon public confidence and broad public support... The Institute is committed to raising the level of ethical and accountable practices in nonprofit organizations. Therefore the Institute has released these standards to serve as a model for nonprofit organizations to implement their operations and governance...

The Standards for Excellence are intended to describe how the most well managed and responsibly governed organizations should, and do operate... All nonprofit organizations are encouraged to pledge to commit to the Guiding Principles of the Standards for Excellence and to work toward implementing the practices and principles outlined.¹

The Standards for Excellence were created in 1995 and 1996 by the Maryland Association of Nonprofit Organizations with the goal of becoming a model for well managed and responsibly governed nonprofits.² Several factors contributed to the creation of the Standards for Excellence approach. While nonprofit executives have always favored efforts to insure that their organizations are well-managed, most of those involved believe that the well-publicized allegations of mismanagement and fraud at the United Way of America and other nonprofit organizations provided the major impetus. The executive director of the Maryland Association of Nonprofit Organizations has said that:

[The United Way experience] cast a big shadow not only on the United Way system, but on the nonprofit sector generally. It prompted us to think, "What is the nonprofit sector's responsibility in the areas of ethics and accountability? What do we as an organized sector need to do to preserve the public trust?"³

The specific standards for Maryland were developed in a broadly participatory process that involved a review of the nonprofit management literature and examples of other codes. The Standards were first promulgated in Maryland in 1998 and in the subsequent years Maryland Nonprofits published a wide range of educational packets and other materials that helped explain the standards and how to implement them. Two surveys of nonprofits in Maryland and a good deal of anecdotal evidence led to the conclusion that the Standards were making a difference.

As a result of this experience and expressions of interest from different parts of the country, Maryland Nonprofits obtained funding from the Surdna Foundation, Rockefeller Brothers Fund, Carnegie Corporation of New York, and Atlantic Philanthropies to undertake a structured demonstration of the replication potential for the Standards for Excellence. The initial five replication partners were the Georgia Center for Nonprofits, the Louisiana Association of Nonprofit Organizations (LANO), the North Carolina Center *for* Nonprofits, the Pennsylvania Association of Nonprofit Organizations (PANO), and the Ohio Association of Nonprofit Organizations (OANO).⁴

¹ Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector. The Standards for Excellence Institute at the Maryland Association of Nonprofit Organizations (2004).

² Much of the historical material in this section of the report has been adapted from the Fall 2005 Carnegie Results which was devoted to a detailed history and analysis of the Standards. A more detailed description of the history of the Standards can be found in that document.

³ Quoted in Mendel, R. "The Maryland Association of Nonprofit Organizations: Seeking 'Standards for Excellence' for the Future" Carnegie Results, Fall 2005, p 3.

⁴ The Delaware Association of Nonprofit Organizations was originally selected, but due to significant staff transition was not able to follow through and was replaced by the Georgia association several months later.

As initially implemented in Maryland, the Standards for Excellence model focused on development and publication of standards, efforts to provide information and training about the standards, and then a process whereby individual nonprofits could apply to be “certified” as adhering to the standards. This “certification model” was adopted by three of the original five replication partners—Louisiana, Ohio, and Pennsylvania.

The Georgia and North Carolina associations of nonprofits did not choose to include the certification aspect of the Standards for Excellence model for several reasons, leading them to concentrate on publicizing standards, providing training and management assistance on standards, and working with others in government and the nonprofit sector to promote policies that would provide incentives to nonprofit organizations to adopt the standards. The reasons for this decision ranged from the philosophical (such as concerns that a nonprofit that emphasizes supporting nonprofit agencies should not get into the business of policing them) to the practical (such as the expectation that it would be highly resource consuming to carry out the certification function for a large number of nonprofit organizations at the same time.)

In 2004, the Maryland Association of Nonprofit Organizations created an operating division called the Standards for Excellence Institute (Institute) to build upon the experience of the five state replication process. As of the fall of 2005, two additional associations had signed on and dozens more associations and other potential sponsors had contacted the Institute for more information about also becoming a program partner.

The Standards for Excellence Institute makes copies of the Standards for Excellence code available to nonprofits anywhere in the United States as well as offering membership which entitles organizations to get help to implement the Standards for Excellence. The Institute also launched a Standards for Excellence national certification program.

Nevertheless, this report focuses entirely on the five original replication partners—Georgia, Louisiana, North Carolina, Ohio, and Pennsylvania in the initial years of the replication effort.⁵

3.0 Methodology

The findings and conclusions in this report are drawn from fieldwork and data collection undertaken by the evaluation team over the past three years, including:

- One or more site visits to Georgia, North Carolina, Louisiana, Ohio, and Pennsylvania undertaken by one or both of the evaluators, supplemented by a series of telephone calls to the five associations;
- Twice yearly data collection from each state association, using forms that were designed in with representatives of the associations and Maryland Nonprofits;

⁵ Data on SFX related behavior at the state association level was collected through the fall of 2003. Post-surveys were administered in 2005.

- Conduct of a pre- and post-test of several hundred members and non-members of the five participating associations of nonprofits;
- Attendance at the twice yearly replication partner meetings;
- A web-based survey of replication partners; and
- Ongoing dialogue with replication partners as well as Maryland Nonprofits staff, including review of comments from Maryland Nonprofits and the replication partners on drafts versions of this and all previous reports.

4.0 Findings and Conclusions about the Implementation of the Standards Model

1. THE GENERAL STANDARDS FOR EXCELLENCE PROGRAM, AS DEVELOPED BY THE MARYLAND ASSOCIATION OF NONPROFITS, IS REPLICABLE.

Five years ago, Maryland Nonprofits set out to engage five partner states in an experiment to determine if its Standards for Excellence model was replicable. They hoped to determine if a program designed to strengthen individual nonprofits--and by doing so, strengthen the entire nonprofit sector—that was crafted to meet the needs of the state of Maryland could be transported and successfully implemented in other settings. At the outset, there were at least six important unanswered questions. As is shown in Exhibit 1 below, our study has found that each of the six can be answered positively and thus we conclude that **the basic program model is an attractive one that appears to be replicable in a variety of kinds of state settings.**

**Exhibit 1
HIGHLIGHTS OF FINDINGS ON MAJOR REPLICATION ISSUES**

Would a sufficient number of other state associations of nonprofits be interested enough to pursue the matter of modifying the Maryland standards for adoption in their own states and adopting the Maryland model?	Yes. There has been widespread interest in the Maryland Standards for Excellence model among state associations of nonprofit organizations and other groups that serve the nonprofit sector from the outset and continuing to this day.
Would state associations be able to use the shared knowledge born of Maryland’s experience to expedite the process of beginning to implement the Standards for Excellence?	Yes. Maryland Nonprofits and its initial five replication partners adopted widely participatory planning processes in which each partner was able to adapt the standards to its own setting and get the efforts off the ground.
Would individual nonprofits in those states be interested in being trained, adopting the standards, and then be certified?	Yes. There was widespread interest in the Standards in each of the five replication partner states, and considerable yet limited interest in certification in the three states in which this option was offered.
Would states be able to generate matching funds and other resources needed to implement the program?	Yes. Fund-raising has remained a major challenge in all of the states—with the resource needs even higher in the states whose associations have opted for certification. But sufficient funds have been obtained to get the approach off the ground and running in all five partner states.

<p>Would the materials developed by Maryland Nonprofits be considered relevant in other states?</p>	<p>Yes. Each of the replication partner states has chosen to modify the Maryland model, but the modifications have been relatively minor, and the standards themselves have been highly consistent from state to state.</p>
<p>Could the program model still be replicable if it were to be altered in some substantive aspect of its design?</p>	<p>Yes. Three of the five states considered and two actually adopted a variation of the model in which the emphasis was on persuasion of nonprofit organizations to adopt the standards without instituting a system of certification at the end. The program appears to be highly successful in both of these states.</p>

The Standards for Excellence Program is solidly established in each of the five replication partner states. Each of the five original partner state associations have customized the Standards with relative ease and only marginal changes. They have also created and disseminated educational materials to support the program, held information sessions, and have provided training and/or offered managerial assistance relating to the Standards. In three cases, the process of submitting applications for certification is well under way. (As is discussed later in this report, the process of certifying nonprofit organizations has gone more slowly than many had anticipated—both in Maryland and its three replication partners that have adopted this approach. But the *concept* has proven attractive and retains its attractiveness in all four states.)

This suggests that the Standards program model that was designed in and for Maryland can be replicated in new state contexts relatively easily, and that the process of customizing the program and getting “buy-in” from the local nonprofit community need not be particularly burdensome. It appears that the Maryland experience (and the support offered by Maryland Nonprofits) has informed the processes undertaken by the replication partners and helped to expedite the time it might otherwise take to build such a program from the ground up.

In general, the Standards themselves seem easily exported to new states and state associations. While each replication partner edited the Standards to reflect the language and style of their particular context, there were few substantive changes to the actual Standards for Excellence themselves. One notable exception to this rule is the standard relating to board term limits, which was made voluntary or otherwise amended by several of the replication partners.

As is discussed later in this report, the major remaining question is the viability of the certification aspect of the model and the ongoing question of whether it can be streamlined to permit a greater volume of certifications with limited resources available to support the process. But there was no major implementation problem in any of the five replication partner states, and there remains little question of the replicability of the model as a whole.

2. THE FIVE REPLICATION PARTNERS HAVE ENGAGED IN A CONSIDERABLE AMOUNT OF ACTIVITY DURING THE EARLY YEARS OF THE PROJECT.

As is shown in Exhibit 2 below, the five replication partner state associations of nonprofits have engaged in a good deal of activity to inform people about the standards and promote their adoption, including:

- Provision of information about the efforts to member nonprofit organizations and sometimes others,
- Customization and dissemination of Standards booklets,
- Customization and distribution of educational packets that help agencies understand what the Standards are all about and how to adopt them, and
- Development and utilization of training programs for nonprofit executives and leadership that address the Standards for Excellence.

The exhibit shows that different associations have adopted differing priorities for some of these activities, but it also shows that all of the state associations had, by Fall 2003, already adopted at least three of the steps to a greater or lesser degree.

**Exhibit 2
ACTIVITIES UNDERTAKEN TO IMPLEMENT THE
STANDARDS FOR EXCELLENCE PROGRAM⁶**

	OANO (Began July, 2001)	PANO (Began Oct, 2001)	NC⁷ (Began Sept, 2001)	LANO (Began July 2001)	GEORGIA (Began Aug 2002)	Total
Nonprofit organizations that have requested information about the Standards	345	208	245	1,650	48	2,496
Standards booklets disseminated	4,715	2,424	10,850	1,873	5,000	24,862
Educational packets disseminated	330	3,448	2,041	5,909	513	12,241
Training <u>developed</u> that is related to Standards	15	18	30	34	36	133
Training courses <u>offered</u> that are related to Standards	26	37	38	22	37	160

* Source: Reports provided by the partner state associations

⁶ Data reflect activities undertaken by each state association from date of licensing agreement through September 2003. Date of that agreement is noted parenthetically in table.

⁷ As North Carolina is not offering certification, their activities not always similar to those in the states that are certifying nonprofits in the Standards.

Assuming that most people read the mail they request and/or receive and pay at least modest attention to training sessions that they have chosen to attend (reasonable assumptions as we see it), these data show that literally thousands of nonprofits have learned about the Standards through the dissemination of the customized Standards booklets and through the dissemination of Standards related educational packets. The fact that over 2,000 individual nonprofit organizations have requested information about the Standards suggests that the word is getting out, and the Standards for Excellence concept is an idea that resonates with a considerable number of nonprofit organizations.

3. REPLICATION AND IMPLEMENTATION WERE MORE RESOURCE INTENSIVE AND SLOWER THAN HAD BEEN ANTICIPATED.

The process of implementing the Standards for Excellence program went more rapidly in the replication states than it did in Maryland, where design and implementation occurred simultaneously. However, implementation in the five partner state associations still proceeded more slowly than had been *anticipated* at the outset. Particularly in terms of certification, the process is far more resource intensive than had originally been expected. The state association and local nonprofit organization staff time necessary to shepherd an application through certification--developing materials, providing training, review of materials provided by participating associations--is perhaps the clearest example of program element that takes far more time (and therefore money) than was originally assumed.

This—and the fact that two of the five replication partners decided not to incorporate certification into their efforts--made it unlikely that more than a few nonprofits could be certified as meeting the Standards for Excellence by the end of the original grant period. In fact, as noted in Exhibit 3 below, the total was only three. This number should not be entirely surprising, as it is consistent with the timeline experienced by the Maryland Association of Nonprofits, which certified its first nonprofit eighteen months after releasing their Standards program, and fully two years after they began first publicizing the program. For this purposes of the current report, we are considering the grant period to be two years from April 2001 or 2 years from the group’s start date.

**Exhibit 3
Nonprofits certified by Fall 2003**

	OANO (Began July, 2001)	PANO (Began Oct, 2001)	NC (Began Sept, 2001)	LANO (Began July 2001)	GEORGIA (Began Aug 2002)	Total
Nonprofit organizations certified as having met the Standards for Excellence	3	0	N/A	0	N/A	3

* Source: Reports provided by the partner state associations

It also bears mentioning that this slower and more resource intensive process is consistent with the Maryland Nonprofits original proposal for this replication experiment, which called for three, rather than two, years, and larger sub-grants to the replication partners.

As of the time of this report (Spring, 2006), there are 64 certified groups across the three states offering certification (Pennsylvania, Ohio, and Louisiana).

4. THE PROCESS OF REPLICATING THE PROGRAM IS STRENGTHENING THE PARTICIPATING STATE ASSOCIATIONS.

Strengthening individual nonprofits and, by doing so, strengthening the state nonprofit sector, are the stated goals of the Standards for Excellence program. Outside of Maryland, it is too early to gauge the degree to which this has in fact happened. However, it is already clear that the process of implementing the Standards is widely *believed* to have strengthened the associations of nonprofits themselves. In every case, the Standards program has provided a vehicle by which the associations are able to increase their visibility within the nonprofit sector, and, especially, the funding community, enhance their staff capacity, and rededicate themselves around a specific mission.

All of the four state associations who had been part of the replication from the outset (i.e., all but Georgia) reported that the process of replicating the Standards for Excellence has increased their associations' ability to raise funds (though two took pains to point out that this money was used exclusively to pay for program, and is, by itself, not enough to make the program self supporting). Perhaps most noteworthy, one partner reported a one time individual donation of \$50,000 attributable to the Standards program.

Additionally, all of the associations report that the process of replicating the Standards for Excellence program has increased their associations' outreach to new constituents, partners and sectors. While this promotes increased membership, it also represented speaking engagements to large state wide associations (at the annual meeting for a state association of certified public accountants, in one case), authorship of editorials in local newspapers, better relationships with management support organizations, and increased collaboration with local universities.

Perhaps most importantly, the participating state associations tended to report that the process of replicating the Standards for Excellence has provided them with a central organizing principle by which to grow, strengthen, and direct their staff, members, boards, and organizations. One association reported that a board subcommittee for Standards had taken an active role in setting direction for the effort; another reported that involvement with the standards has allowed them to "create a Director of Programs position that not only was responsible for the Standards for Excellence program, but also allowed us to increase our other educational offerings by 300%".

The impact the process of replicating the Standards for Excellence is perhaps best summed up by one partner who reported that “we believe that the Standards for Excellence program is a way for [us] to cohere as a state association.”

More over, the process of participating in the replication experiment has provided a valuable network for the organizations. One of the partners called the effort “one of the most collaborative and mutually supportive endeavors that I’ve ever been a part of.”⁸

5.0 Impact of the Standards for Excellence Upon Nonprofit Organizations

The research that we have conducted leads us to conclude that it is feasible to replicate the Maryland Nonprofits approach and that it is beneficial to state associations of nonprofit organizations to do so. But what difference does it make for the nonprofit organizations themselves?

Methodology, Analysis Plan, and Conclusions

Our approach to answering this question has included several rounds of visits to each replication partner site, development and utilization of a twice-yearly data reporting form on Standards for Excellence activities, ongoing contacts with the Maryland Association of Nonprofits and its replication partners, and a survey of association members and non-members that measured awareness of and adherence to nonprofit Standards for Excellence that was conducted twice, first at the beginning and then in the last stages of our study.

The surveys were conducted so that we could determine whether not, over the two years from the pre-test to the post-test, adherence to the Standards for Excellence increased to a greater degree among those with better access to the Standards (in this case, association members) than those without such access (non-members).⁹

If this pattern appeared, we thought it would be reasonable to conclude that the associations were effective mechanisms to promote adherence to the Standards. As is described in greater detail below, **our results are, for the most part, consistent with the patterns that would be expected to emerge if, indeed, replication partner associations were good vehicles for promoting adherence to Standards for Excellence among nonprofit organizations. It therefore seems reasonable to conclude that this is the case.**

Highlights of Study Findings

Finding #1: Association members adopted more standards than non-members.

⁸ Mendel, R. “The Maryland Association of Nonprofit Organizations: Seeking ‘Standards for Excellence’ for the Future” Carnegie Results, Fall 2005, pg 7.

⁹ A detailed description of the impact study methodology can be found in Appendix A to this report. All sites were weighted equally in these analyses.

For this aspect of our study, we looked at **39** standards for the operation and management of nonprofit organizations. In **26** we found that the difference between replication partner members and non-members in adopting standards was greater at the time of the post-test than it was at the time of the pre-test; for **8** standards, there was no substantial change in the difference between members and non-members from pre- to post-test (defined as a change of less than 2 percentage points); and, for **5** standards, the difference between members and non-members was greater at the time of the pre-test than at the time of the post-test.

As is shown in Exhibit 3 below, this pattern holds for each of the three major subgroups of the thirty-nine survey variables—policies, board behaviors, and beliefs. For example:

- 19 of the 39 standards were policies. In 15 of these (79%), the difference between replication partner members and non-members increased, there was no change in two of them, and 2 for which the difference between members and non-members was bigger at the time of the pre-test than at the time of the post-test;
- Eleven of the 39 standards were board behaviors. In 5 of these (45%), the difference between replication partner members and non-members increased, in 4 there was no change, and for 2, the difference between members and non-members was bigger at the time of the pre-test than at the time of the post-test; and
- Nine of the 39 standards were beliefs. For these, there were 6 (67%) beliefs for which the difference between replication partner members and non-members increased, 2 for which there was no change, and 1 for which the difference between members and non-members was bigger at the time of the pre-test than at the time of the post-test.

Exhibit 3
CHANGES IN POLICIES, BELIEFS, AND BEHAVIORS OVER TIME

	MEMBERS CHANGED MORE THAN NON MEMBERS (IN THE DESIRED DIRECTION)	PERCENT CHANGED IN THE DESIRED DIRECTION
Policies	15 of 19	79%
Board Behaviors	5 of 11	45%
Beliefs	6 of 9	67%
Total positive change	26 of 39	67%

This suggests that the efforts to promote adoption of Standards for Excellence may be more effective at changing polices than board behaviors or beliefs about nonprofit management but the overall numbers are too small to be sure about this.

Finding # 2 There were increased instances of statistically significant differences between members and non-members.

At the time of the pre-test, members were “statistically significantly” different from non-members (in the desired direction) on 6 Standards related beliefs and behaviors. At the time of the post-test the number of statistically significant differences between members and non-members (in the desired direction) more than quadrupled to 29. This is another indication that member organizations changed more between pre- and post-tests than did non-member organizations.

Finding # 3 There was no change in the gap between beliefs versus practice over time.

At the time of pre-survey, large gaps existed between the proportion of nonprofits who said that they agreed with some standards-related policies and the proportion who said that they had actually implemented the policy. For example, many organizations agreed that it is a good idea to have a conflict of interest policy but did not, in fact, have such a policy in place. These gaps still existed for both members and non-members at roughly the same level at the time of the post-survey. In other words, the gaps did not diminish more for members than for non-members of the replication partner associations of nonprofit organizations.

There is another way to view these data. While we did not always see improvement for members (or non-members) on the relationships between standards-related beliefs and behaviors over time, a clear pattern did emerge: Member organizations showed more growth in both their performance and their expectations for tested standards over time than did non-member organizations.

The specific findings of our survey show that:

- Members increased in their commitment to standards related behaviors or beliefs on 20 of the 39 measures we studied. For 5, there was deterioration over time, and for 14 there was essentially no change over time.
- This stands in marked contrast to the pattern that emerged for non-members. For this group, there was improvement over time in 9 of the Standards related behaviors and beliefs, deterioration on 16, and no change for 14 standards related behaviors or beliefs.¹⁰

Value of Obtaining Certification and the Reason Some Choose Not To

Survey respondents who were working on the Standards were asked what benefits they expected to accrue to their organization from adoption of the Standards for Excellence. Members were most likely to cite the following as areas that adoption of the Standards would impact:

- Improvement of internal process, program quality and performance;
- Improvement of fundraising and/or credibility in the community; and

¹⁰ Additional data on this topic can be found in the appendices for this report.

- Improvement of board relationship and performance.

Survey respondents who were NOT working on the Standards were asked why their organization has decided not to apply or adopt the Standards for Excellence. The most common responses from member organizations as to why they were not adopting the Standards were:

- Standards are redundant with other certification they already have to meet;
- They did not have staff/financial capacity to adopt the Standards; and
- They were not aware of the Standards.

A more detailed presentation of the findings and conclusions of the pre- and post-surveys of replication partner members and non-members can be found in Appendix B to this report.

6.0 Summary of Findings and Conclusions--Looking Ahead

The efforts to adopt and utilize modified versions of the Maryland Standards for Excellence in management and operation of nonprofit organizations in the states of Georgia, Louisiana, North Carolina, Ohio, and Pennsylvania have been successful in at least two ways:

- They have gotten off the ground and are widely admired, a non-trivial accomplishment in the light of the broadly participatory process at the statewide level that was employed in a number of the sites, and
- They have begun to show measurable progress in terms of modifying the practices of nonprofit organizations.

At this point, many of the initial questions have been answered. But new ones are emerging, some answerable and some not.

Does it seem likely that the model is replicable beyond Maryland and the initial five partners? The answer is definitely yes. Two more partners have already joined the effort as of December 2005, and many more are in the process of learning more about what it takes to follow in the footsteps of the initial eight associations.¹¹

Is there growing attention to the self-regulatory approach pioneered by Maryland Nonprofits? Again the answer is yes. Both the popular press and academic journals are

¹¹ In addition to this, in July 2005, the Standards for Excellence Institute documented five other organizations that that were offering similar approaches that also involve accreditation or certification, including initiatives undertaken by the Utah Nonprofits Association (UNA) (This program is based on self certification only), the Charities Review Council of Saint Paul, Minnesota, the Commission on Accreditation of Rehabilitation Facilities (CARF), the American Association of Museums (AAM), and the Malcolm Baldrige National Quality Award.

beginning to address the Standards for Excellence and related approaches, and, for the most part, are judging them to be positive.¹²

Does adoption of Standards make a material difference in the nonprofit world in participating states? Do nonprofit members of associations promoting the Standards adopt them more than other nonprofits? It appears that this is the case, bolstering the argument that associations of nonprofit organizations are a good vehicle to carry out the efforts to promote Standards.

However, the answers to some of the biggest questions remain the most unclear. **What is the impact of the Standards for Excellence approach to nonprofit self-governance on the sector as a whole and its image among the American public?** Does it, either alone or in concert with other approaches, hold the answer to the challenges that were posed by the United Way and other scandals of more than a decade ago? Given the record so far, it seems reasonable, though not certain, that the kinds of results that have accrued in the more fully realized Maryland program will also accrue to the partner sites.

The Standards for Excellence approach provides nonprofit organizations that are inclined to improve their organization and management an excellent template to do so. But does it have any impact on agencies whose leadership is not already inclined to upgrade its management, and to counteract the tendencies towards mismanagement that led to the nonprofit scandals in the first place? And has the limited number of agencies certified in Maryland, Louisiana, Pennsylvania and Ohio and the outreach activities in Georgia and North Carolina been enough to “raise the bar”, increase accountability and the quality in nonprofit administration and eventually raise trust in nonprofit organizations?

If it is concluded that the scale of the certification approach needs to be increased, will it be possible to find ways to streamline it to reduce its cost in time and other resource requirements per organization certified and hence its fiscal feasibility? Are there economies of scale that can be obtained and/or other sources of funds to support the effort? And if the numbers of organizations certified rises substantially, how will this affect the nonprofit sector and its public image? Will the newly created national certification program serve as a way to provide economies of scale for the certification program as a whole?

¹² See for example, the Wall Street Journal article “Charities Start to Grade Themselves, August 18, 2004, and Sidel, Mark. (2005). “The Guardians Guarding Themselves: A Comparative Perspective on Nonprofit Self-regulation” 80 Chicago-Kent Law Review, 803, which describes Maryland Nonprofits as an “American associational entrepreneur” and the above-referenced Carnegie Results issue dated Fall 2005, and the Forbes Fund 2004 Tropman Reports High Performance in Nonprofit Organizations in the Greater Pittsburgh Area, Volume 3, Number 4.

We are unable to answer these important questions at this point. Surveys of public opinion, long term giving trends, and other means of evaluation may, in the future, shed light on these long term objectives of the Standards for Excellence. We urge continued attention to these critical questions and investment in the research needed to answer them.

The Standards for Excellence approach has “face validity”. Logic suggests that it is helping in all of these regards. But with questions about its feasibility and its “implementability” resolved, attention should shift back to further research on the ability to bring certification “to scale” and measuring its impact in the states where there is certification and those where this alternative has not been pursued.

One possible avenue of exploration would be to study the use of a self certification formula, either used alone or in concert with other options for certification. An evaluation of the effectiveness of such an approach (as well as statements concerning the intent to undertake such an effort) may well be worthwhile. If it is found that self certification, either alone or as part of a broader menu of certification options, is as effective as the certification modeled in the Maryland program, costs for certification might be significantly reduced.

Our research suggests that, it is reasonable, though not certain, that the kinds of results that have accrued in the more fully realized Maryland program will also accrue to the five partner sites. As reported by Maryland Nonprofits, these results include better management across the nonprofit sector in the state (as measured by the number of survey respondents in pre- and post-surveys reporting that they follow guidelines for management and practice as articulated in the Standards), greater belief in the tenets of good management as laid out in the Standards, and more growth in these arenas for Maryland Nonprofits members (who presumably had better access to the Standards) than by nonprofits who were not association members.¹³ Further efforts to address these kinds of issues in Maryland, in the five replication partners, and in the other sites should be undertaken.

¹³ It should be noted that the Maryland study from which these data are drawn was not conducted by the authors of the present study, and that statistical significance of these changes was not addressed in the Maryland report. It should also be noted that Maryland was forced to “decertify” one of the first 44 nonprofit agencies that it had certified, thereby showing that certification alone can not guarantee top notch operation and management of nonprofit organizations.

Appendix A

IMPACT STUDY METHODOLOGY

The study of the impact of implementing Standards for Excellence on nonprofit organizations was based primarily upon a pre-test, post-test quasi-experimental study design involving surveys of nonprofit organizations that were and were not members of the replication partner state association of nonprofit organizations. As is shown in Exhibit A-1 below, there were over 700 respondents for the pre-test and over 1000 for the post-test.

Exhibit A-1 OVERVIEW OF STUDY SAMPLES

	PRE-TEST (2002)	POST-TEST (2005)
Association Members	608	793
Association Non-Members	162	243
TOTAL	770	1036

The idea was to show differences between behaviors and attitudes of members and non-members, in aggregate, across all states, from pre- to post-survey administration. Many, but not all, of the differences between the members and non-members were presumably due to implementation of Standards for Excellence, and efforts were made to explore other possible explanations.

Since the study was designed to show overall pattern of results across all five initial replication partners, in aggregate—and not to compare results across replication partners, the results presented in this report all combine data received from the five partners in Georgia, Louisiana, North Carolina, Ohio, and Pennsylvania. After consultation with Maryland Nonprofits, a decision was made to use a statistical procedure that would “count” each sites’ results equally.

While pre-surveys were administered using both pen and paper and an online survey tool, all post-surveys were administered via an online survey tool.

There are a number of ways to analyze change over time for a “treatment group” (in this case, association member organizations) and a “control group” (non-member organizations). We focus on three of them in this report:

- Research Question #1: Did the “treatment” group change more (in the desired direction) over time than the “control” group to become more “Standards compliant”? (i.e., did members move in the direction of adopting Standards for Excellence more than non-members?)

- Research Question #2: Were there increases in the number of statistically significant differences (in the desired direction) between control and treatment groups over time? (i.e., are member groups ‘more different’ from non-member groups after 2 years of Standards for Excellence program implementation?)¹⁴
- Research Question #3: Did the gap between Standards Related beliefs and performance decrease over time more for members than for non-members?

Technically speaking, and in accordance with conventional practice in the social sciences, we are labeling all differences which are unlikely to occur in 10% or fewer randomly selected cases to be statistically significant.

Cautionary Notes

It should be recalled that we did not survey the same nonprofit organizations in the pre-survey and post-survey, and so differences between the pre-survey and post-survey may be largely a result of random factors in terms of who responded to each of the surveys. Other explanations might include the possibility that, in tight fiscal times, all nonprofits are limiting the funds available to implement standards strengthening their operations and governance related behaviors regardless of the beliefs of their leaders. For this reason, this report focuses on the *relative* change between members and non members over time, rather than *absolute* growth.

That is, we focused on whether the difference between members and non-members was larger in the post-survey (in the desired direction) than it was at the time of the pre-test. And from this perspective, the answers are clear, the data reveal the kinds of patterns that would be expected if state associations were successful in influencing their members to become aware of the Standards for Excellence and eventually adopting them.

¹⁴ Differences between two groups are called “statistically significant” when they are large enough so that it is very unlikely that they result from simple chance in the sampling processes by which the members of the groups were chosen.

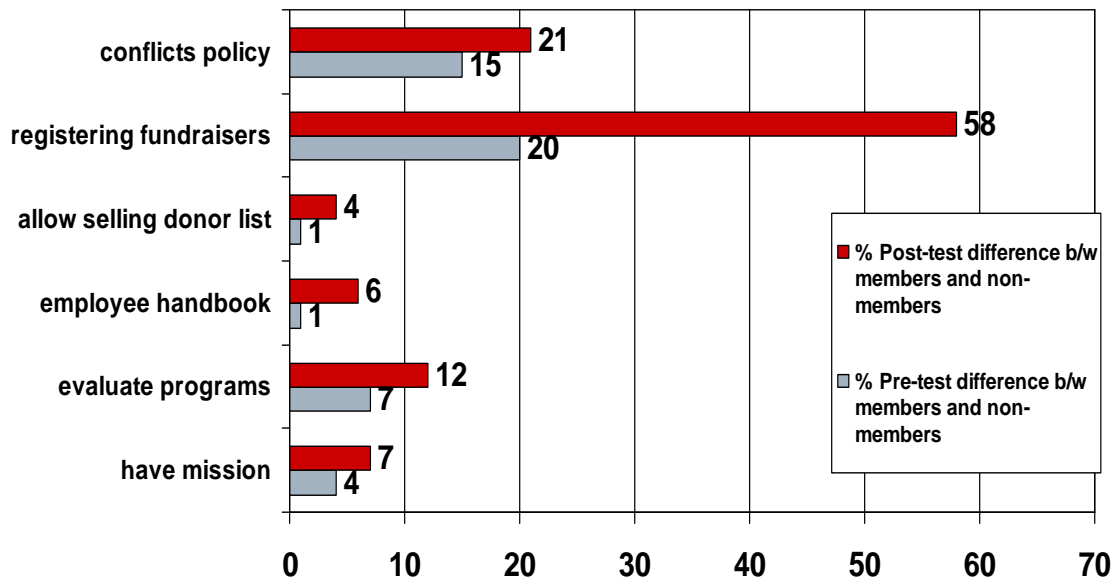
Appendix B

More Detailed Analyses of Standards Impact upon Nonprofit Organizations

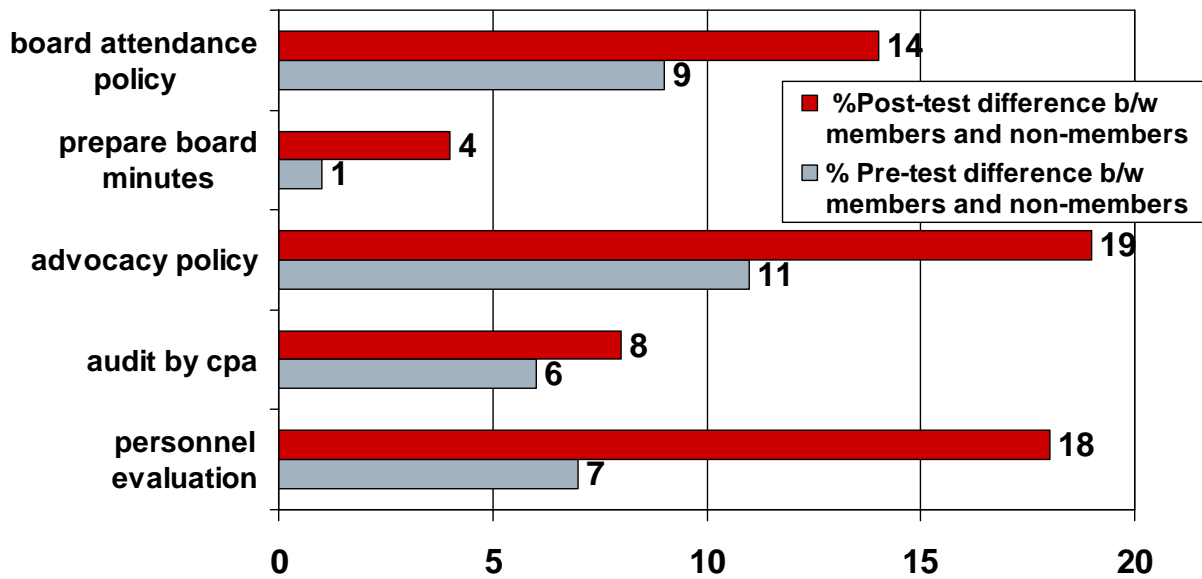
The exhibits on the following pages provide more graphic illustrations of the overall findings that were presented in Section 5 of this report, broken out by individual types of standards.

Research Question #1: Did the treatment group change more than the control group? Yes: On 15 of 19 policies the difference at the time for the post-survey was greater than at the time of the pre-survey (in other words, member organizations were more different from non-members after 2 years of the Standards program implementation than they were before the Standards program was offered in the state).

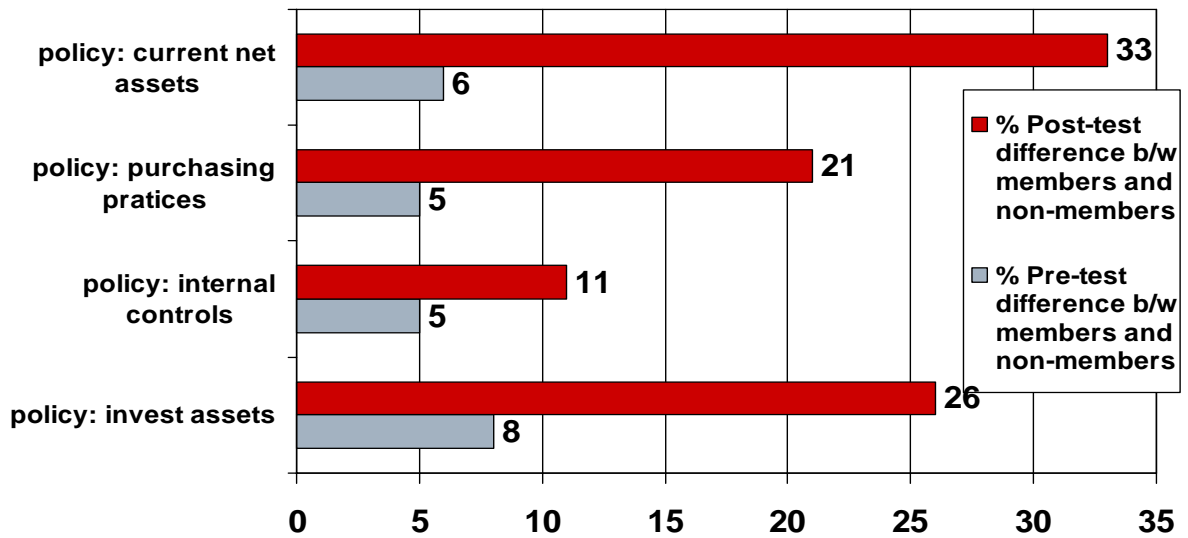
The next three graphs show the 15 policies where the difference between member and non-member performance at the time of the post-survey was greater than at the time of the pre-survey.



Differences in changes in policy between members and non-members
(continued)

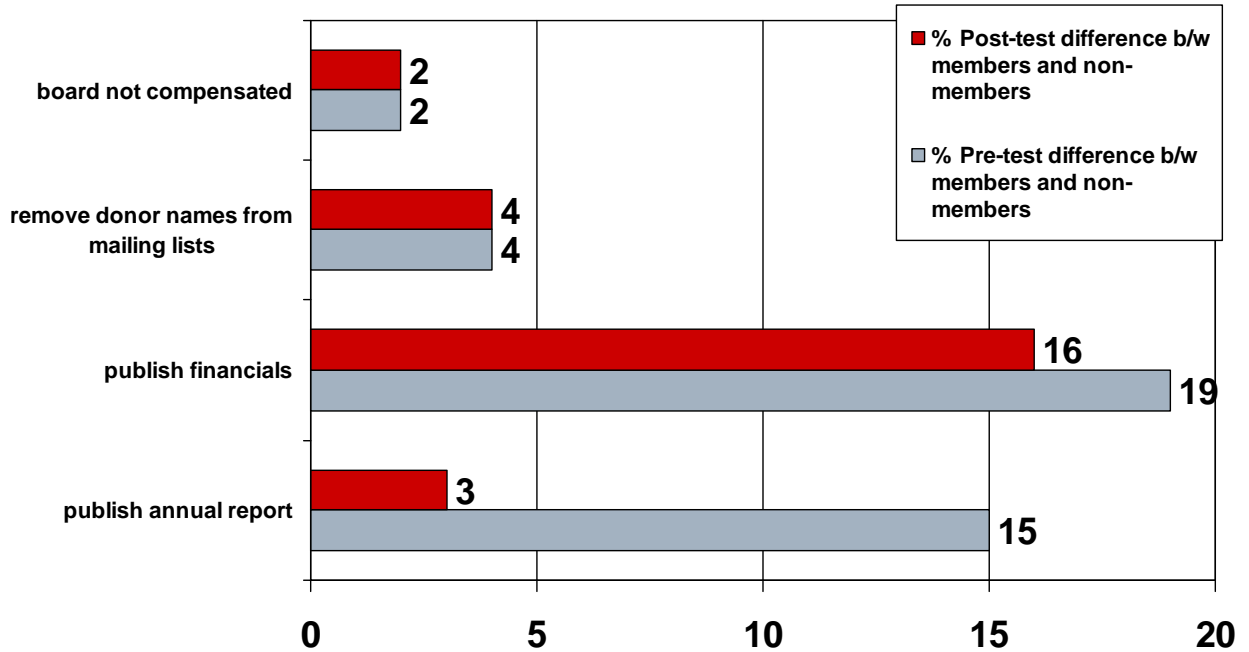


Behaviors around the four written financial policies tested were particularly strong areas of growth for members over non-members.



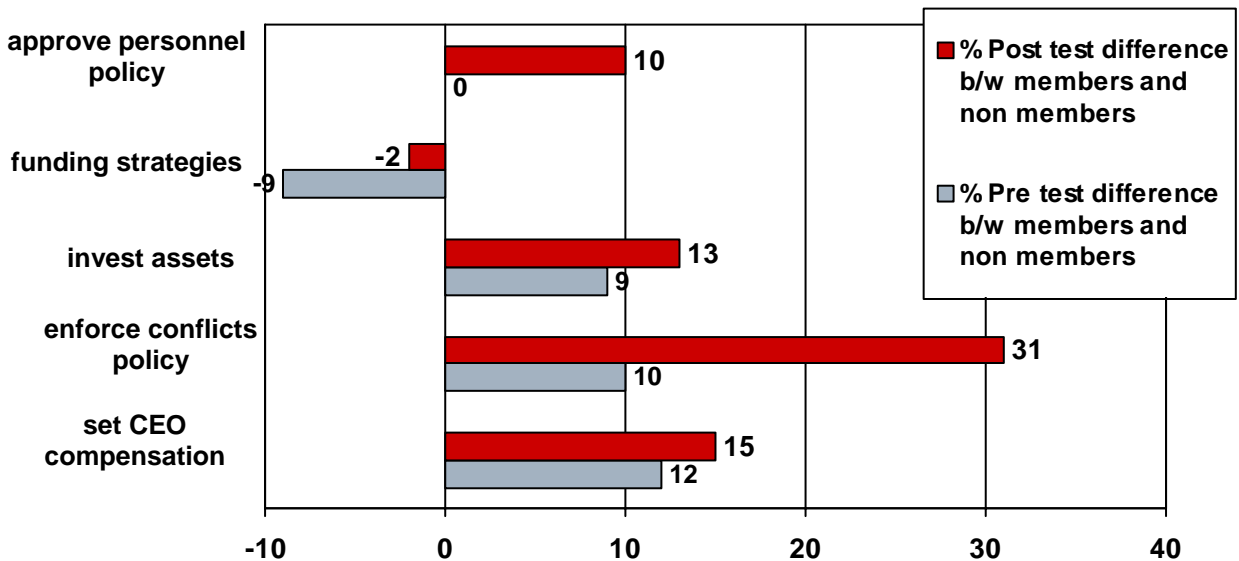
There were some policies in which there was no change, or even deterioration of over time. For some, but not all, of these this results from near universal compliance at time of pre-test. For example, this seems to be the case for not compensating the board.

This graph shows the remaining 4 of 19 standards where the difference between members and non-members in the post-survey either evidenced no change or was greater at the time of the pre-survey.

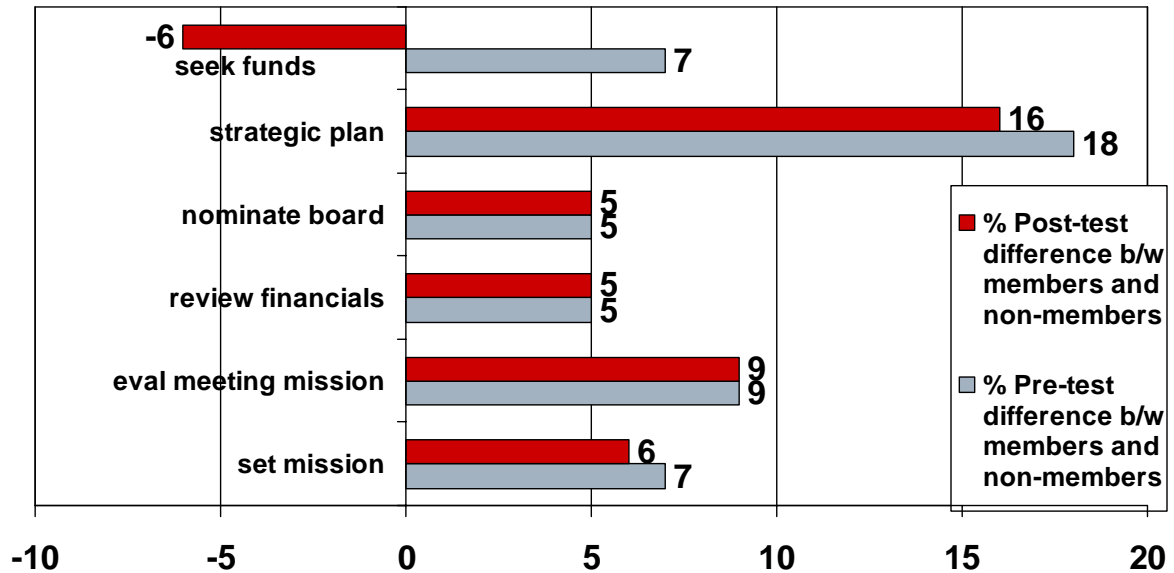


Board Behaviors

In terms of the 11 Standards that are board behaviors, there were 5 behaviors for which the difference between replication partner members and non-members increased between pre-test and post-test.

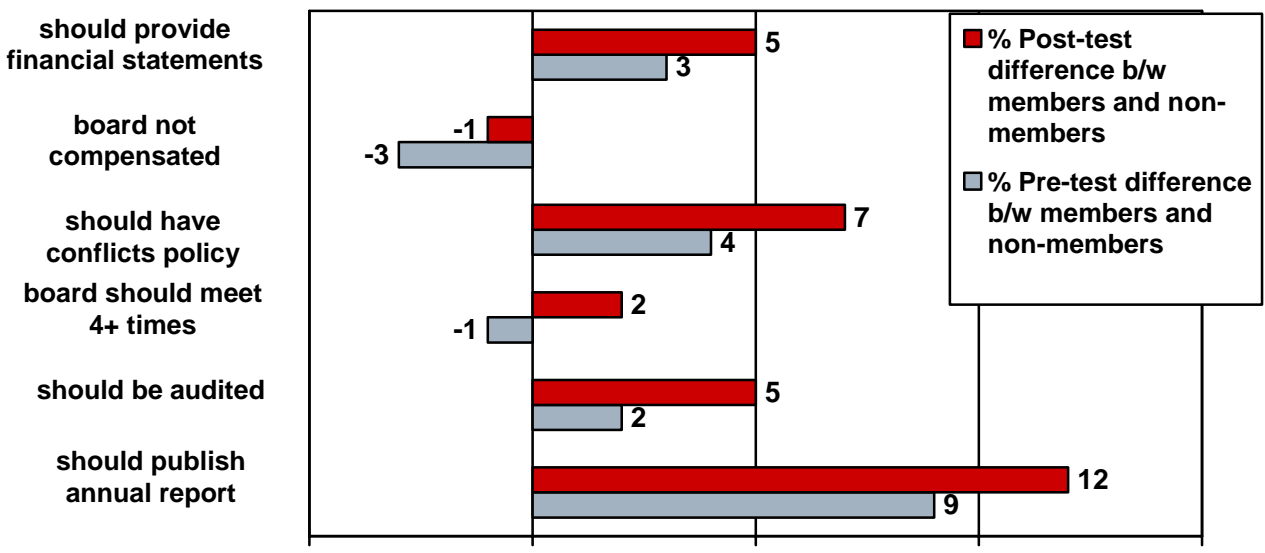


For 4 Standards-related to board behavior there was no change, and for 2 more the difference at the time of pre-survey was greater than at the time of post-survey.

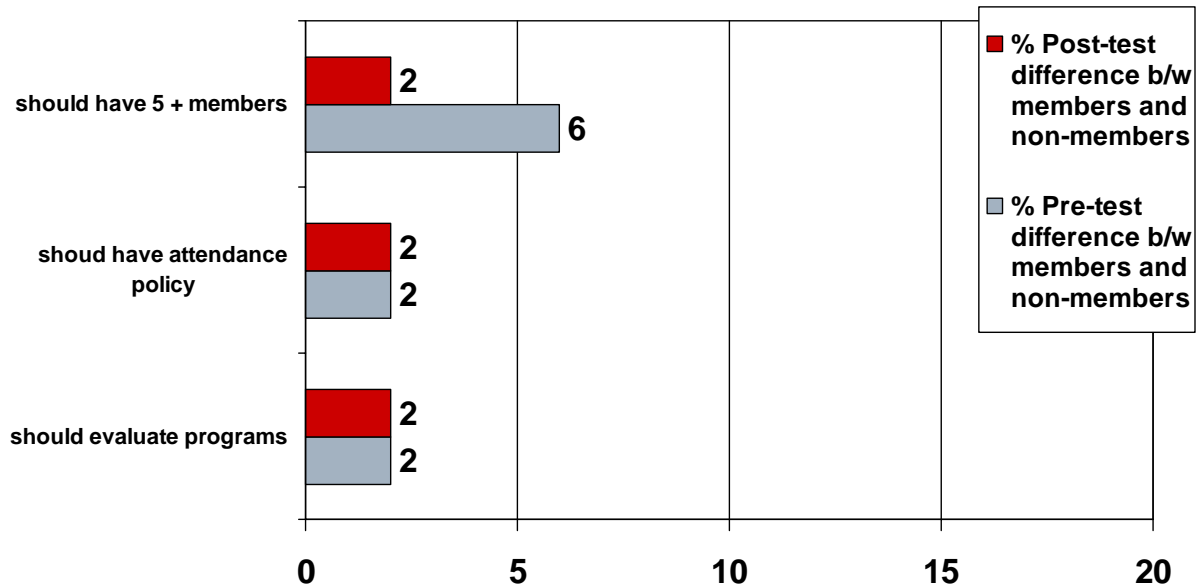


Beliefs/Expectations

Of the 9 Standards that were beliefs, there were 6 beliefs for which the difference between replication partner members and non-members increased in the desired direction.



Of the remaining 3 belief based standards, there was no change in the difference between members and non-members over the time of the pre-and post-surveys for 2 standards, and deterioration for 1.



Research Question #2: Were there increases in the number of statistically significant differences (in the desired direction) between control and treatment groups over time? YES, a substantial increase.

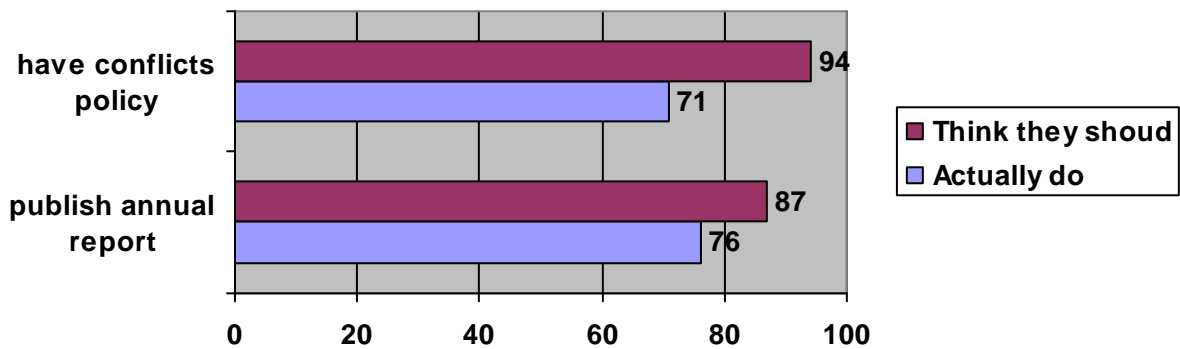
As is shown below, the number of statistically significant differences (a technical term meaning that the differences between groups are NOT likely to be due to random error) between replication partner members and non-members more than tripled from eight to twenty-nine of 39 standards from the pre-survey to the post-survey.

CHANGES IN STATISTICAL SIGNIFICANCE

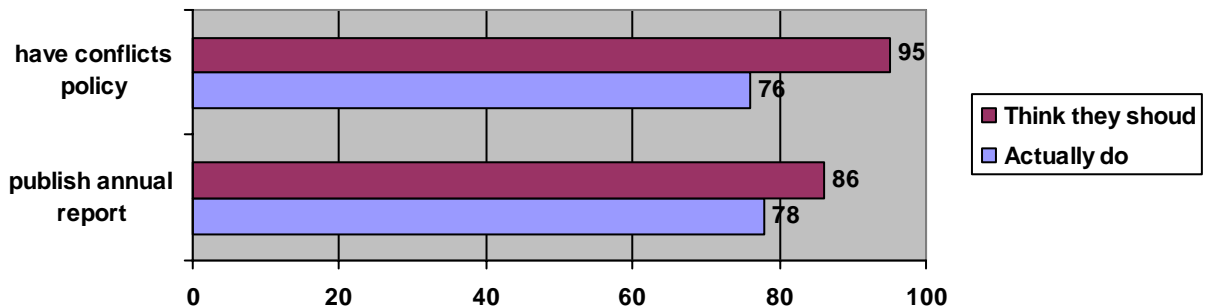
SIGNIFICANT DIFFERENCES IN...	PRE-TEST BUT NOT POST-TEST	BOTH SURVEYS	POST- TEST BUT NOT PRE-TEST (INTENDED DIRECTION)
Have mission		X	
Have Conflict of Interest policy		X	
Believes should have Conflict of Interest policy		X	
Board involvement in Conflict of Interest policy		X	
Board involvement in setting compensation		X	
Believes programs should be evaluated		X	
Publishes an annual report	X		
Has ability to remove donors from lists	X		
Evaluates some or most programs			X
Publishes minutes			X
Written evaluation of employees			X
Has written employee handbook			X
Prohibits the selling of member lists of donors			X
Audited by CPA			X
Has processes to handle internal control procedures			X
Has processes to handle unrestricted current net assets			X
Has processes to handle purchasing practices			X
Has processes to invest assets			X
Has advocacy policy			X
Has attendance policy for board			X
Believes nonprofits should publish an annual report			X
Board meets at least 4 times a year			X
Board has at least 5 members			X
Board is involved in developing strategy			X
Board is involved in investments			X
Board is involved in setting mission			X
Board is involved in reviewing financials			X
Board is involved in nominating new board members			X
Believes board should have attendance policy			X
Believes nonprofits should have financial audit annually			X
Believes board should not be compensated			X

Research Question # 3. Where there changes in the discrepancy between beliefs and practices? No. At the time of the pre-survey, both members and non-members evidenced a significant gap between what they believed to be good practice and what they actually did, in terms of publishing annual reports, having conflict of interest policies, and having board term limits. It turns out that that these discrepancies still exist for both members and non-members. Members exhibited virtually no change in the discrepancy between what they believe and what they do over the time between the pre-survey and the post-survey.

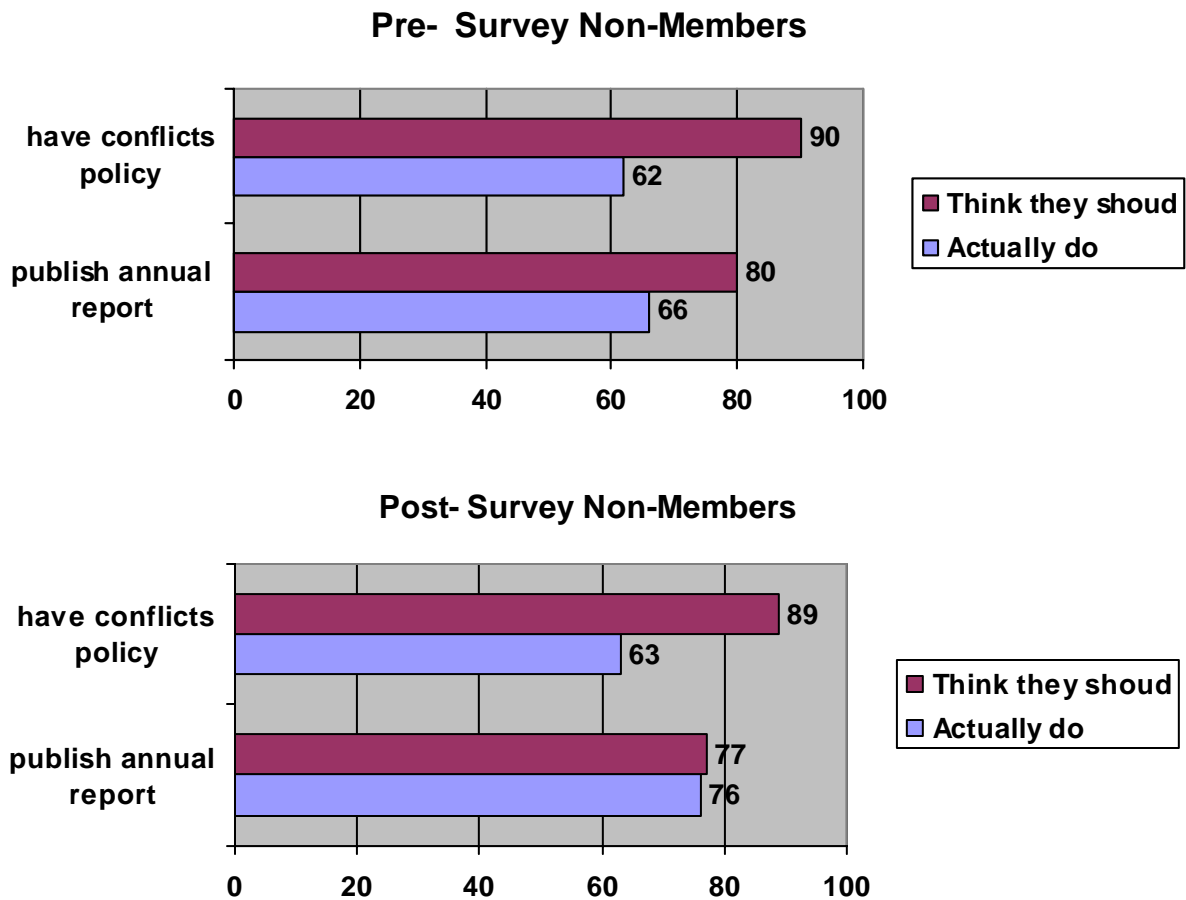
Pre- Survey Members



Post- Survey Members



Similarly, non-members also exhibited virtually no change in the discrepancy between what they believe and what they do over the time between the pre-survey and the post-survey. In one case the gap between expectations and performance for non-members was actually diminished (in the desired direction) in terms of publishing an annual report.



Conclusions

As is shown below, the data that are presented earlier in this report lead to a clear overall conclusion, namely that after two years of implementation of Standards for Excellence, nonprofit organizations that are members of statewide associations of nonprofit organizations that are replicating the Standards for Excellence program are more likely to report Standards related behaviors and beliefs than are non-members of these associations.

OVERVIEW OF STUDY RESULTS

ISSUE	CONCLUSION
Did replication partner members change more (in the desired direction) than non-members of associations in adherence to Standards for Excellence?	YES
Are there now more statistically significant differences (in the desired direction) between replication partner members and non-members in adherence to Standards for Excellence?	YES
Did the gap between beliefs and performance decrease over time more for replication partner members than for non-members?	NO

Moreover, this pattern leads us to conclude that offering the Standards for Excellence program through the state associations of nonprofits organizations has been an effective way of implementing change in nonprofits. However, there is no evidence to suggest that implementation of the Standards program will impact the discrepancy between what nonprofits believe to be good practice and what they actually do.

Reviewers of this report should keep several limitations and cautionary notes in mind, namely that:

- The data were examined only in aggregate. No conclusions or data discussed in this report are applicable to individual state associations.
- Factors other than the standards may have caused some differences between pre-tests and post-tests, including differences

in the mix of members and non-members in state associations in the pre-test and post-test.

- Care should be taken in comparing pre-test and post-test results since post-test survey member associations were larger, in terms of staff and budget, than non-members, and some of the differences reported here may be due to this disparity rather than the impact of the Standards program.

However, we believe that the bulk of the evidence supports our conclusions, and they are the most reasonable conclusions to reach given the data.