

The Entrepreneurial Nonprofit: Measures of Success

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Abstract:

Nonprofit firms often face challenges creating sustainable business models. These challenges are amplified if firms lack the connections and management capabilities to properly oversee their operations. This study seeks to analyze the relationship of social capital and networking effects within nonprofit organizations by measuring the firm's reporting quality and board structure by defining and measuring shared value. Specifically, the study addresses two critical research questions: 1) How can organizations use existing relationships with board members to improve their financial performance? 2) What relationship, if any, do outside business partnerships between board members have on this performance?

Building on extant research, several hypotheses exploring the role of management capabilities through network dynamics on profits. By exploring the organizations' dynamic capabilities and through other metrics, the study seeks to evaluate their impact of firms' financial performance. Utilizing secondary, specifically publicly available tax filings, these hypotheses are tested in nonprofit agencies in the United States.

Results showed support for several hypotheses, most notably the main theory reinforcing the importance of organizations to recruit and maintain a strong, dynamic Board of Directors. It is likely that this creates a feedback effect (and also a potential future research opportunity) regarding how nonprofits can recruit and maintain their board members. The finding of the impact of board dynamism on both operating methodologies – via dynamic capabilities and revenue changes – was promising, to say the least. While not surprising given both prior research and theories grounded in practice, it was surprising to see such a strong and positive interaction between these terms, as also confirmed by my prior pilot study. However, it was surprising to see the lack of significance between board dynamism and operational controls, as represented in the model by financial reporting quality. While it was expected that a dynamic board would positively influence operational controls, this relationship was not significant. That the direction of the interaction was still positive was promising and offered an opportunity for future research.