

Management practices in not-for-profit organisations

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***** Preliminary *****

OVERVIEW

How do management practices in not-for-profit organisations compare with those in comparable private (and public) sector organisations?

What factors explain variation in management practices in not-for-profit organisations? (and is this the same as in the private sector?)

How do management practices relate to outcomes in the two sectors?

The LSE Management Survey: background

- Begun in 2004 with survey of manufacturing firms
- Completed three waves; more than 6,000 interviews with firms in 18 countries in Americas, Europe and Asia
- Extended to retail, schools, hospitals...
- Survey tool designed to measure management quality by evaluating various management practices (indicators capturing different dimensions)

The LSE Management Survey: background

- Key findings:
 - Variation within and across countries – linked to ownership (family firms typically perform worse), organisation size and competition
 - Management practices matter – scores are correlated with external productivity and performance measures
 - True for manufacturing, schools, hospitals

Extension to not-for-profit firms

- Institutional differences
- Non-distribution constraint
- Absence of owners (and take-over threat)
- Mission-driven organisations
- Tax advantages

Possible effects on management quality & outcomes

- Compared to private sector:
- Negative effect on management quality and outcomes:
 - absence of ownership/ profit motive & tax advantages (incentive effects)
 - less performance-related pay (incentive/ selection effects)
- Positive effect on management quality and outcomes:
 - Mission incentivizes/ attracts motivated workers (Francois, 2003, Besley & Ghatak, 2005)

Possible effects on management quality & outcomes

- Compared to private sector:
- Negative effect on management quality but not outcomes:
 - Delfgauw and Dur (2009) – mission-oriented workers put in more effort, reducing price and managerial reward (and management quality) but not compromising outcomes

SUMMARY

- What we do:
- Collect comparative data on management practices in mixed-sector service industries (fostering and adoption agencies, nursing homes)

- What we find:
- Private sector organisations typically score higher on management practices than NFP organisations
- Differences in talent management scores are significant

- Some evidence that the relationship between competition and management scores is muted in the NFP sector

- Some evidence that management scores are less strongly correlated with outcome indicators in the NFP sector

OUTLINE

1. “Measuring” management practices in NFP organisations
2. Comparing management scores across sectors and explaining differences
3. Linking management scores to outcomes

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Fostering/ adoption and nursing homes

- Chosen because of “mixed” provision
- And availability of external performance indicators (via regulator)

	English fostering and adoption agencies, members of BAAF		English nursing homes with 40+ beds, from CQC	
	Population	Sample	Population	Sample
Private	0.395	0.447	0.925	0.594
Public	0.339	0.310	0.009	0.040
Not for Profit	0.266	0.243	0.067	0.366
N	413	103	2,363	101

- NB Regression analysis confirms absence of sample selection

Fostering/ adoption and nursing homes

- Compared to previous management surveys ...
- Organisations are much smaller
- Organisations are subject to regulations

Descriptive statistics

	Fostering/adoption agencies			Care homes	
	Public	Private	Notforprofit	Private	Notforprofit
London	0.167	0.244	0.250	0.019	0.281
South East	0.067	0.195	0.167	0.245	0.156
Organisation age (med)		10.0 years	15.0 years	17.0 years	20.0 years
Number of staff (mean)	20.5 FTE	20.4 FTE	14.8 FTE	31.5 FTE	13.8 FTE
Number of beds				60.1	61.6
Occupancy rate				0.882	0.934
Part of a network		0.674	0.833	0.683	0.784
Typical hours worked	41.3 hours	38.0 hours	36.2 hours	38.5 hours	36.8 hours
Anyone left in last year	0.688	0.587	0.480	0.967	0.945
Competition (1–10)	5.35	7.55	7.46	4.69	5.03
No of competitors (20k)		22.0	22.6	68.1	112.7
Tenure in post	6.0 years	5.0 years	4.7 years	6.0 years	5.5 years
Age	49.0 years	44.3 years	44.2 years	46.8 years	50.1 years
Female	0.656	0.522	0.840	0.833	0.919
No degree	0.094	0.043	0.080	0.233	0.351
N	46	32	25	60	37

MEASURING MANAGEMENT PRACTICES

1. Develop the scorecard
2. Conduct the interviews
3. Match interview data with external performance indicators

1. The Scorecard

18 indicators across five dimensions of management

LEADERSHIP (1) – whether the organisation has a vision and how that vision informs the organisation's actions

PROCESS (2) – standardization, continuous improvement

PERFORMANCE (4) – tracking, review, dialogue, consequence management

TARGET (5) – balance, inter-connection, horizon, stretch, clarity and comparability

TALENT (6) - rewarding high performers, removing poor performers, promoting high performers, managing talent, retaining talent, attracting talent

Q1 – Leadership vision

Could you briefly describe the vision of your organisation? How clear is the strategy for realising that vision? Who is involved in setting the vision and the strategy? To what extent are various parties included in its development? Who are the main stakeholders? And how is the vision communicated to the stakeholders?

Score	(1): Agency either has no clear vision, or lacks a strategy for realising vision; stakeholder involvement/ external communication is negligible	(3): Vision and strategy may be fairly limited – eg involving government targets/ mandates; limited involvement of stakeholders in setting the vision; poor communication	(5): Clear vision that involves outcomes and well-defined strategy for achieving that vision. Vision and strategy have been defined collectively with a wide range of stakeholders and are clearly communicated
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Q2 Standardisation of process

Can you describe the process for finding a suitable foster parent for a particular child? How formally is this defined/ standardized? How do you ensure that the process is followed in each case? How do you define whether the outcomes have been successful?

Score

(1): Unable to articulate a clearly defined process; no protocols for ensuring that the process is followed or the outcome is successful

(3) Processes are in place but there is little monitoring and/or attempt to validate outcomes

(5): There is a clearly defined process that is able to deal with diverse needs; processes are followed with comprehensive monitoring and follow-up to ensure outcomes are successful

Q14 Talent – removing poor performers

If you had a social worker who was struggling or could not do his job, what would you do? Can you give me a recent example? What about foster carers? How long would under-performance be tolerated? Are there some individuals who seem to lead a charmed life

Score

(1) Poor performers are rarely removed from their positions

(3) Poor performers stay in position for at least a year before being removed

(5): Poor performers are moved out of the agency or to a less critical role as soon as a weakness is identified

2. The interviews

More than 200 interviews carried out with managers of homes/ agencies (general manager, care home manager, team manager).
170 in summer 2009, 30 in April 2010

Six MSc management students (trained by LSE team)

All interviews were:

- Double-scored
- Double-blind: interviewees didn't know they are being scored and interviewers knew nothing about organisation quality

All regressions include noise controls for interviewer fixed effects, duration and time of day

3. Outcome data

External indicators of performance from the regulators

Fostering and adoption agencies

Ratings by OFSTED (once every three years)

Overall performance (scale of 1 – 4)

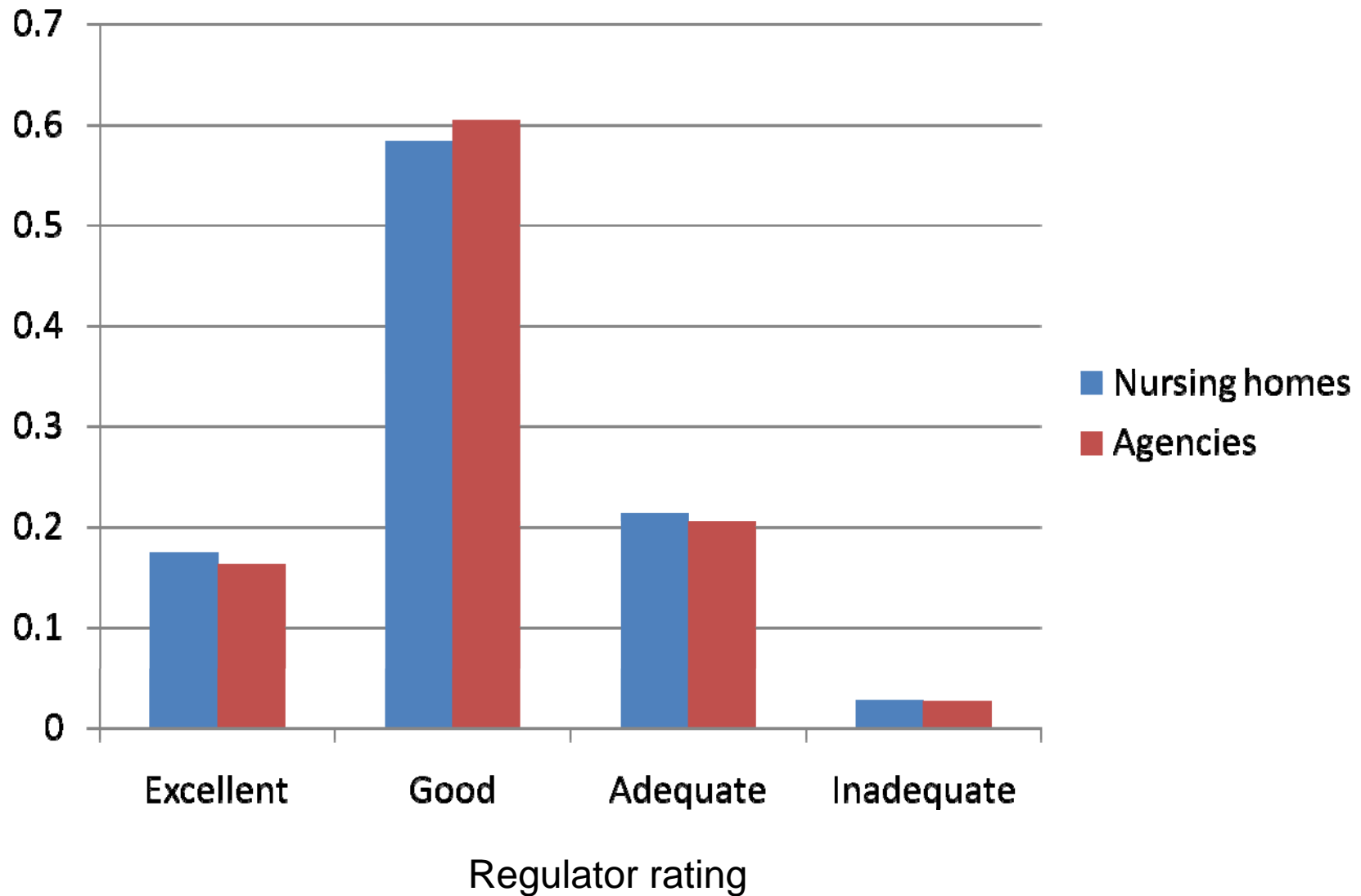
Sub-indicators – healthy children, happy children, safe children, positive kids, economic well-being, organisation

Nursing homes

Ratings by Care Quality Commission (once every three years)

Overall performance (scale of 1 – 4)

3. Outcome data

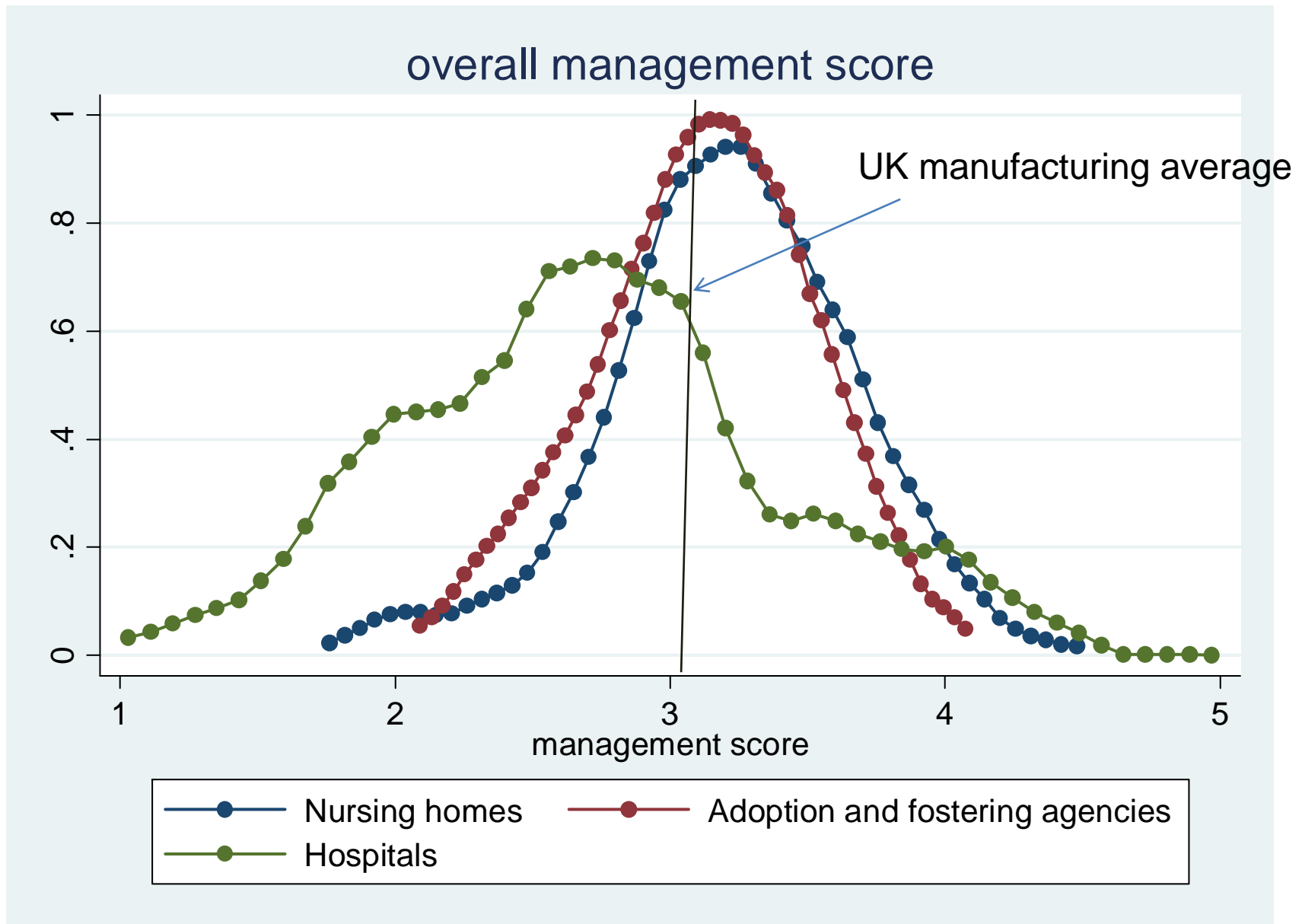


OUTLINE

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2. Comparing management scores across sectors and explaining differences

3. Linking management scores to outcomes



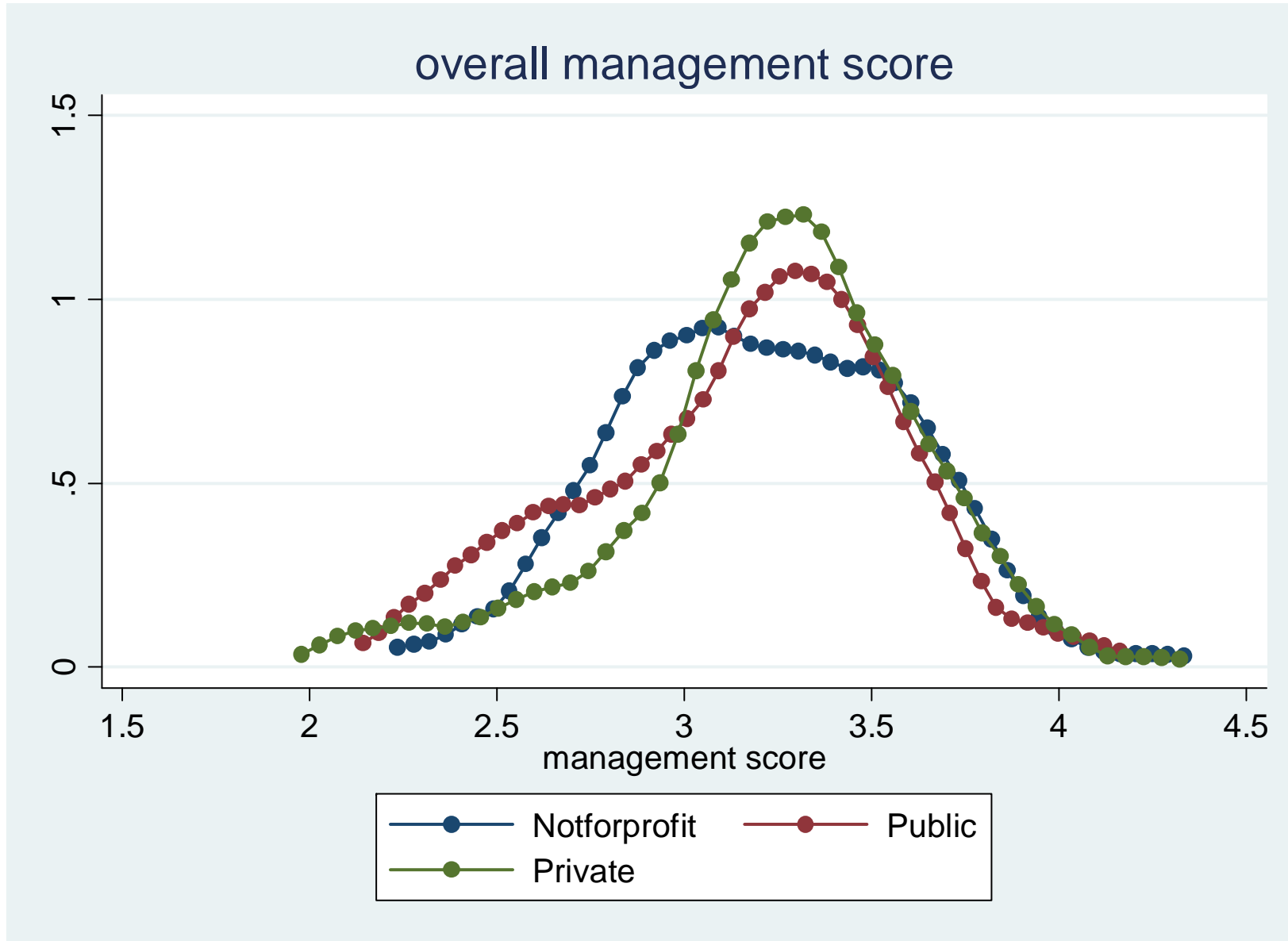
Overall management score = average of 18 individual indicators

Compressed distribution

Interviewer differences?

Regulation?

Small (single-process) organisations?



Overall management score = average of 18 individual indicators
Controlling for interviewer fixed effects

Comparing all three sectors

Dependent Variable (all with mean 0 and SD=1)

	Overall	Leadership	Process	Perform'ce	Target	Talent
Private	Baseline	Baseline	Baseline	Baseline	Baseline	Baseline
Public	-0.159	-0.072	0.031	-0.063	-0.101	-0.345
	<i>[0.159]</i>	<i>[0.735]</i>	<i>[0.842]</i>	<i>[0.674]</i>	<i>[0.480]</i>	<i>[0.007]</i>
Not for profit	-0.107	0.196	-0.011	-0.121	-0.077	-0.366
	<i>[0.330]</i>	<i>[0.340]</i>	<i>[0.942]</i>	<i>[0.403]</i>	<i>[0.580]</i>	<i>[0.003]</i>
N	204	204	204	204	204	204

P-values reported in square brackets

Controls – nursing homes dummy, interviewer fixed effects, duration, time of interview

What aspects of talent management?

<u>Indicator</u>		NFP compared to private
Talent management	What emphasis is put on talent management	0.017
Rewarding talent	Is good performance rewarded	-0.638**
Removing poor performers	Whether organisation deals with under-performers	-0.378*
Promoting high performers	Whether promotion is performance based	-0.277
Attracting talent	Whether organisation goes out of its way to retain talent	-0.105
Retaining talent	How strong is the employee value proposition	-0.439**

** significant at 5% level; * significant at 10* level

Controls – nursing homes dummy, interviewer fixed effects, duration, time of interview

Adding other controls (private/ not for profit)

Female manager, tenure in post – no relationship with any scores

Manager has no degree – negatively and significantly related to all scores; possibly a responding effect?

Age of manager – negatively and significantly related to talent score

Number of staff – positively and significantly related to overall score, target score and talent score

Whether organisation is part of a network – positively and significantly related to overall score, process score, performance score and talent score

Effect of competition (private/ not for profit)

Dependent Variable (all with mean 0 and SD=1)

	Overall	Leadership	Process	Perform'ce	Target	Talent
Private sector	Baseline	Baseline	Baseline	Baseline	Baseline	Baseline
No orgs in 20k	0.085	0.061	0.016	0.147	0.047	0.124
<i>(z-score)</i>	<i>[0.142]</i>	<i>[0.626]</i>	<i>[0.850]</i>	<i>[0.064]</i>	<i>[0.540]</i>	<i>[0.068]</i>
No orgs x NFP	-0.057	-0.046	-0.121	-0.152	0.018	-0.041
<i>(z-score)</i>	<i>[0.451]</i>	<i>[0.776]</i>	<i>[0.276]</i>	<i>[0.141]</i>	<i>[0.856]</i>	<i>[0.642]</i>
N	167	167	167	167	167	167

Degree of competition is positively related to performance and talent scores
 Some evidence that relationship with no. competitors is muted in the NFP sector

P-values reported in square brackets

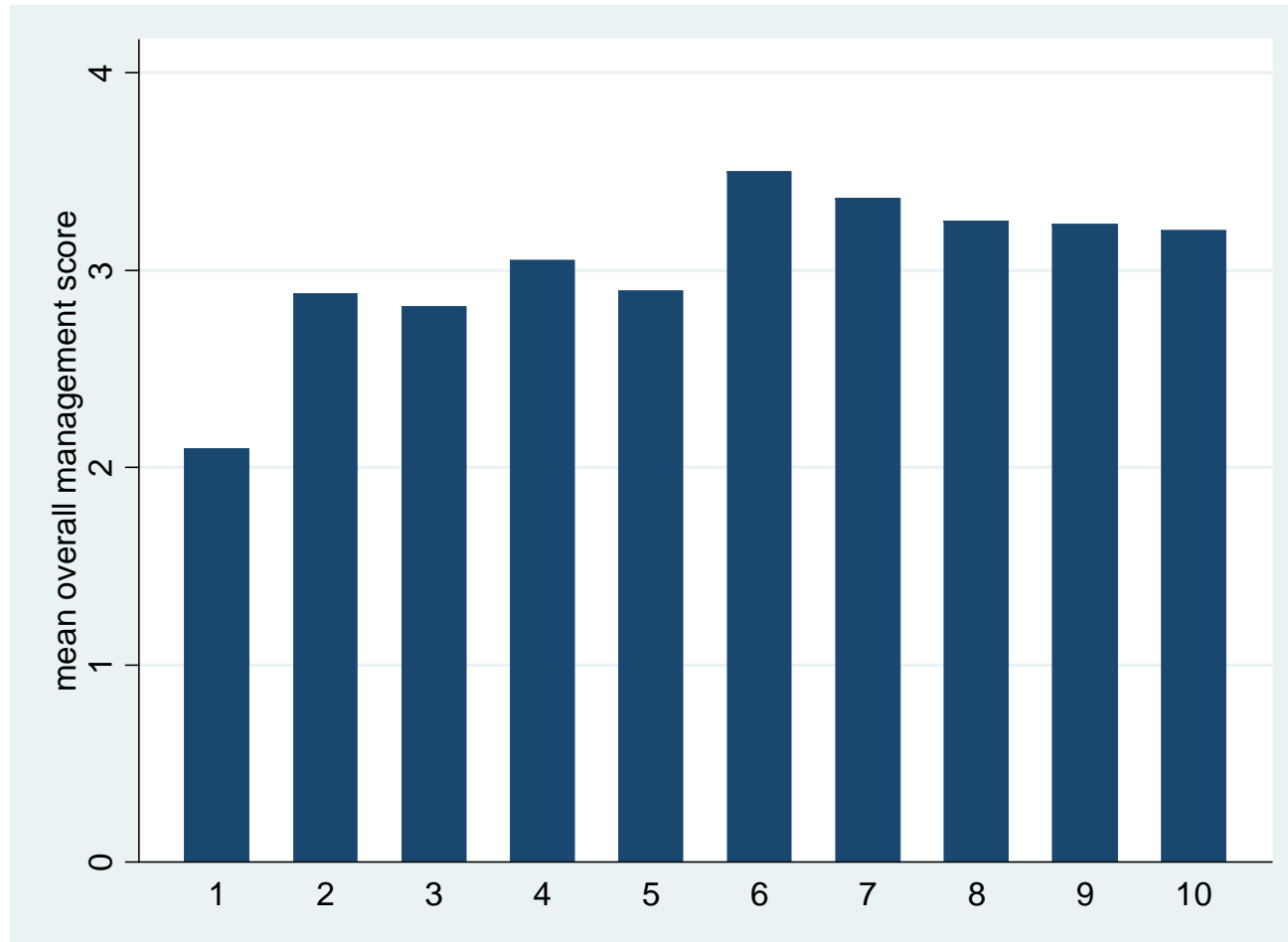
Controls – nursing homes dummy, interviewer fixed effects, duration, time of interview, female, education, age, time in post, number of staff, network member

OUTLINE

1. “Measuring” management practices in NFP organisations
2. Comparing management scores across sectors and explaining differences

3. Linking management scores to other indicators
 - Self-assessed management quality
 - External performance indicators

Perception and reality: In general they are correlated....



Manager's own assessment of quality of management
On a scale of 1 – 10, how well-managed do you think your organisation
is where 1 is worst practice, 10 is best practice and 5 is average?

Controlling for interviewer fixed effects

Perception and reality: Sectoral differences

Dependent Variable (all with mean 0 and SD=1)

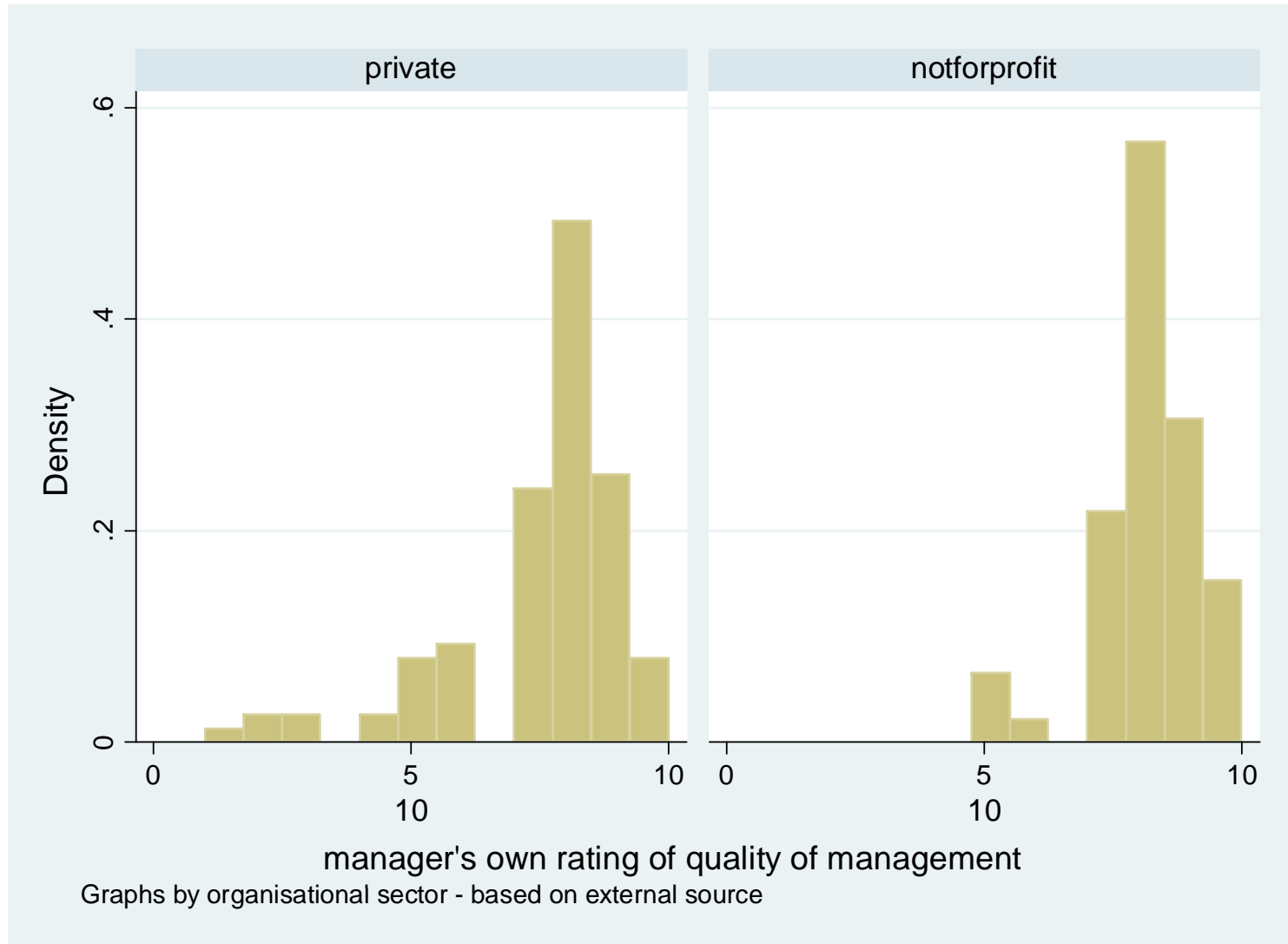
	Overall score	Selfassessment
Private	Baseline	Baseline
Not for profit	-0.081	0.387
	[0.456]	[0.098]
<i>N</i>	167	167

Not for profit managers systematically score themselves higher on self-assessed management quality than private sector managers

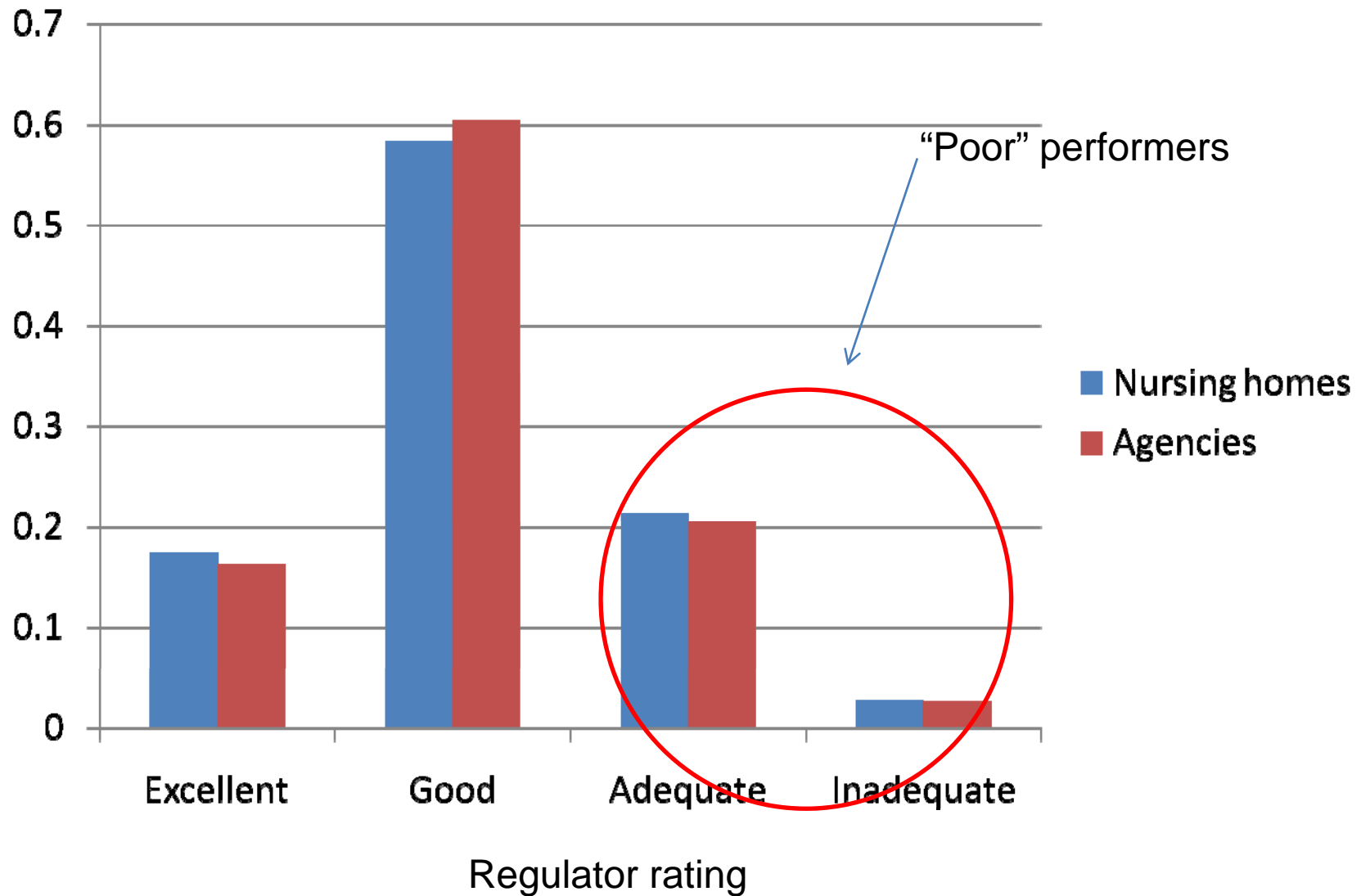
P-values reported in square brackets

Controls – nursing homes dummy, interviewer fixed effects, duration, time of interview, female, education, age, time in post, number of staff, network member

Perception and reality: Sectoral differences



External performance indicators



Differences in outcomes by sector

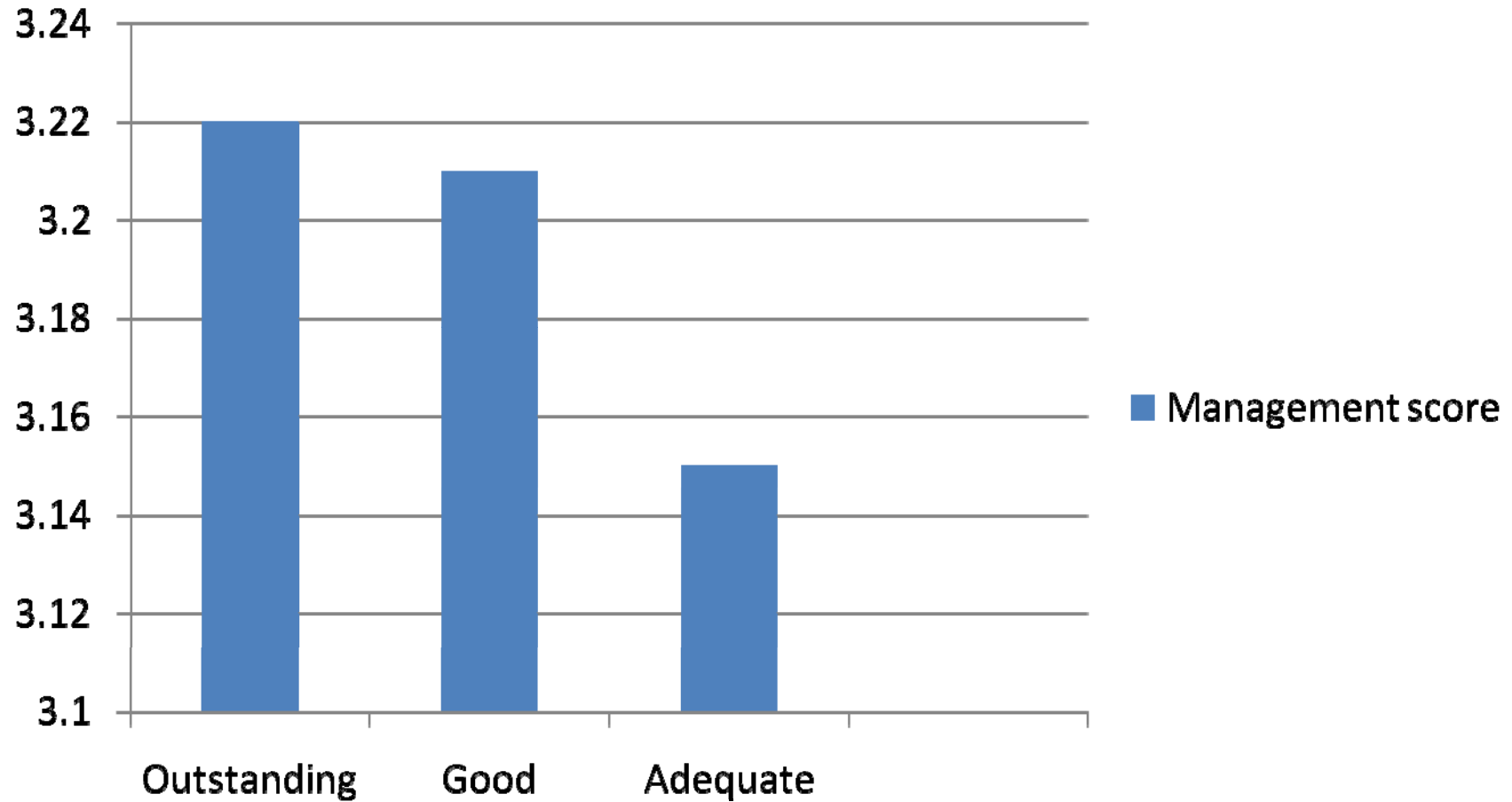
NFP organisations perform slightly better (but differences are not statistically significant)

	Poor performer	Outstanding
Private	Baseline	Baseline
Not for profit	-0.088	0.019
	[0.220]	[0.815]
N	136	136

Controls – nursing homes dummy, female, education, age, time in post, number of staff, network

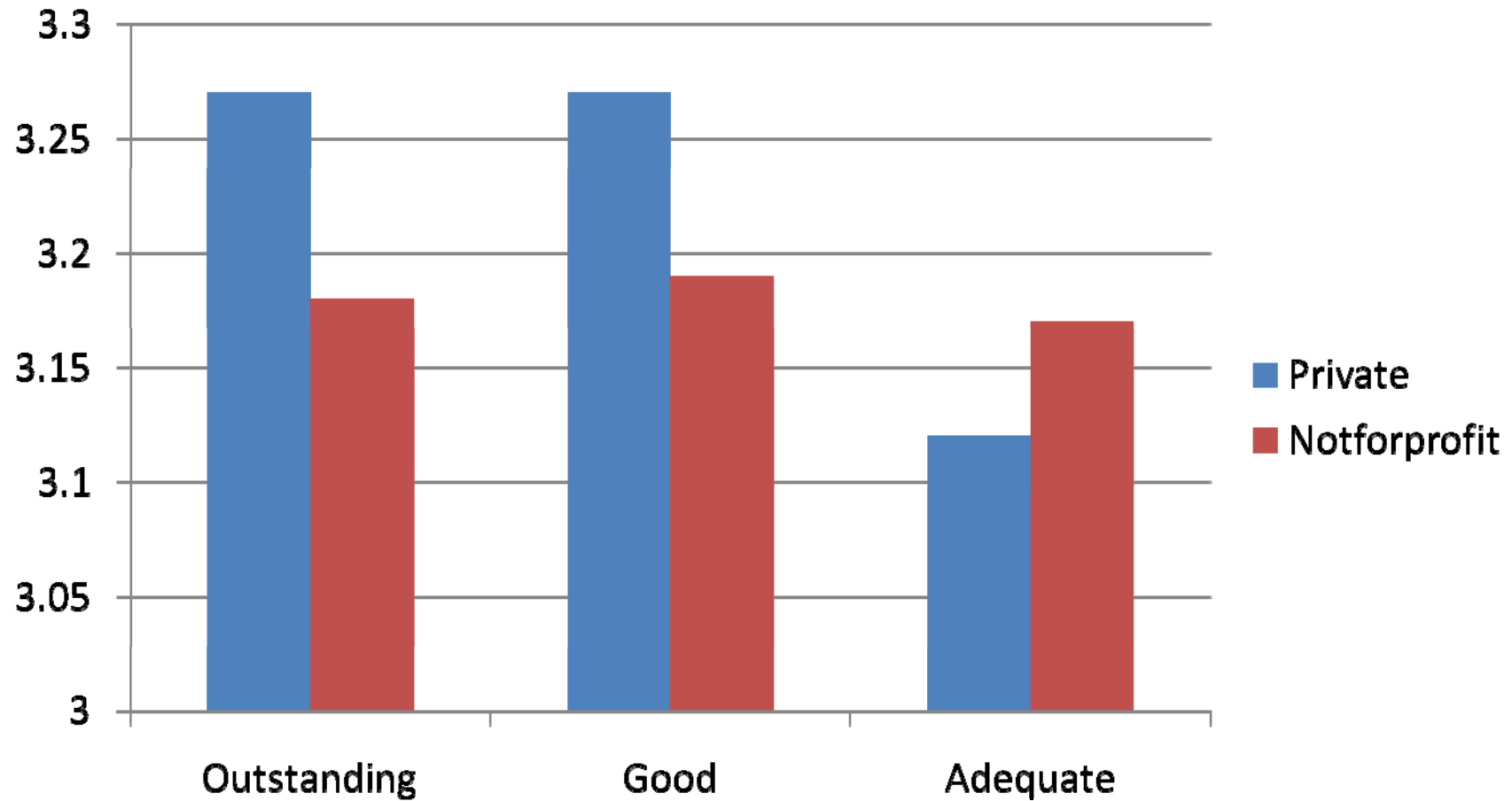
Management score and performance rating

Slight relationship...



Management score and performance rating

...More evident in private sector than NFP sector



Confirmed by regression analysis

Dependent Variable = poor performer

	Coeff	<i>p-value</i>	Coeff	<i>p-value</i>	Coeff	<i>p-value</i>
Overall (z-score)	-0.178	[0.053]				
Overall x NFP	0.131	[0.367]				
Selfassessment (z-score)					-0.037	[0.334]
Selfassessment x NFP					-0.046	[0.615]
Leadership (z-score)			-0.045	[0.384]		
Leadership x NFP			0.088	[0.275]		
Process (z-score)			-0.002	[0.974]		
Process x NFP			-0.116	[0.382]		
Performance (z-score)			-0.207	[0.030]		
Performance x NFP			0.186	[0.223]		
Target (z-score)			0.049	[0.623]		
Target x NFP			-0.044	[0.766]		
Talent (z-score)			0.055	[0.608]		
Talent x NFP			-0.012	[0.936]		
N	138		138		138	

Controls – nursing homes dummy, female, education, age, time in post, number of staff, network

Some (tentative) conclusions

Management practice scores are lower in the not for profit sector than in the private sector – significant difference for talent management

The data suggest differences between the two sectors:

- in the way competition is related to management scores
- in the way management scores relate to external performance indicators

With a caveat, that we have so far looked at a limited number of outcome indicators, this suggests that the quality of management practices matters less in mission-driven organisations

Management: NFP versus private?

