

# A Survey of Non-profit Organizations Evaluation Methods

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## Abstract

Through reviewing the foreign evaluating methods, we recommend the following two kinds of methods and analysis both their advantages and disadvantages: methods that focused on a certain area as well as the comprehensible ones. Among the former one, we further introduce the multi-item scale to measure service quality, the GET (Glass Evaluation Tool) which speculates that an organization with poor internal structure will be less likely to perform sustainably, the method that predicting the financial vulnerability of NPOs, DEA that aims to measure the NPOs' efficiency, as well as the outcome measurement. As to the comprehensive methods, we introduce financial analysis method, the balanced-scored card in detail, including the rationale of each method, how to establish the model, how to apply it in the real world, how to test its effectiveness, and also what we should notice while using it. The aim of this paper is to provide some new idea for the NPOs evaluation theory as well as practice in China.

**Keywords:** NPOs, Evaluation method, Survey

## 1. Introduction

As a non-profit organization which independent of government and firms outside social organization, its goal is the pursuit of social public welfare activities, the provision of social services to the public rather than to maximize the efficiency of their own. (Schiff & Weisbord, 1991). In the current developed countries or regions, whether from the view of the level of employment and total amount of economic activities, or from promotion of national economic and social sustainable development perspective, non-profit organizations not only have got achievement as government and enterprises, but also expected further trends. A general review of market-oriented reforms in China since the socio-economic development, China's non-profit organizations have grown up from small to large, and will continue to promote China's sustainable and healthy economic development and also helpful to harmonious society. In the end of 2008, a total of 414,000 various types of non-profit organizations, which increased 7.0% than the year before, including 230,000 social organizations, 182,000 private non-enterprise units, and 1597 foundations (see Table 1).

These non-profit organizations involved in science and technology, education, culture, health, labor, civil affairs, sports, environmental protection, legal services, social intermediary services, work injury services, rural specific economics and other fields of social life who employed 4.758 million people. Non-profit organizations do an excellent job in economic development, creating jobs, activating markets, and maintaining social harmony and safeguarding social stability which leave corporations and governments far behind. People increasingly tend to seeking solutions which puzzle government by non-profit organizations.

However, China is still a developing country which affected by the economic base and superstructure condition, non-profit organizations in China's development is still in its infancy and is not standardized, also not very mature. There are a number of constraints, especially in the personnel composition and structure, income sources, income efficiency, and management mechanism which lacking of scientific evaluation.

This phenomenon not only interrupts its development, but also seriously weakened the social credibility of non-profit organizations. Building an effective evaluation system as a management tool can not only improve their operational efficiency and social credibility, but also can promote the healthy development of economy with the interaction between government and profit institution. Therefore, evaluation of non-profit organizations has become a hot issue among modern economics, management, sociology and other related disciplinary research. This paper defines the concept of non-profit organizations, then remark non-profit organizations as

relevant evaluation theories, theoretical basis, the content of non-profit organizations, and evaluation method of non-profit organizations domestic and abroad. We expect the establishment of appropriate Chinese non-profit organization evaluation system in order to promoting sustained and healthy development of non-profit organizations.

## 2. Theoretical Backgrounds

How to define the non-profit organization is concerned with all research. In China, non-profit organizations mainly refer to non-governmental organizations.

According to the drafting and approval by the State Council issued the relevant documents and regulations by civil organizations management bureau under Ministry of Civil Affairs, the so-called civil society organizations mean the social groups and private non-enterprise units in these two particular type of legal form.

Social groups are formed voluntarily by the Chinese citizens for the realization of the common will of members in accordance with its charter activities of non-profit civil society organizations (Ministry of Civil Affairs 1998), Which mainly include the associations, unions, research associations, foundations, promotion associations, association of commerce, and other social organizations (Ministry of Civil Affairs Social Group Management Division 1996). The main function of social groups is as the common wishes of certain social groups or interests which consists of representatives, in order to achieve these common wishes of the members through carrying out various public welfare activities; their social position is considered as the bridges between government and society which has certain normative function as social intermediary organizations; Their members are from different jobs based on the voluntary principle, and recognize the common purpose of their purpose, forming a loose collection of members on behalf of the organization; They adapt democratic rules of procedure in the system; basically free of charge in wages of the group members. These social groups promote political system and democracy-building process through political participation, expression of group interests; also through industry standards and the establishment of self-regulatory mechanism to promote and improve the market economic system; they also promote the development of social affairs through various industrial activities and engaging in public benefits, so kinds of social affairs are flourishing. Such as science and technology, culture, health, education, and sports. In all social groups, the Foundation is a special part of it which based on the basis of a certain social grants, mainly through the operation of funds to carry out social welfare activities.

Private non-enterprise units are formed by enterprises, institutions, social groups and other social forces and individual citizens using non-state-owned assets engaging in non-profit social service activities (Ministry of Civil Affairs 1998). Which mainly contain a variety of private schools, hospitals, welfare institutions (homes for the elderly, apartments for the elderly, etc.), community service centers, vocational training Center, Research Institute, and cultural centers. The main function of private non-enterprise units is to face the society and meet certain social needs of the people when carrying out services; their social position is as serving the community by virtue of professional knowledge and skills; their organizations have a certain expertise in the form of unit members, according to the principle of two-way choice and a certain combination of the establishment of Stable unit entity; their management approach is the implementation of personal responsibility; the form of wages paid follows their contribution.

The reason why social organizations and private non-enterprise units called "civil society" is because they are neither government agencies nor corporations; they are non-governmental, non-profit social organizations. From the above summary of the relevant laws and regulations we can see there are two obvious commonality, that is, non-governmental and non-profit, it means that the above-mentioned two kinds of social organizations are based on relevant laws and regulations formulated by the state by legal registration and activities of the organization according to law. However, in China's current legal and policy framework system, not all of the non-governmental, non-profit legal organization can be classified into the concept of civil society organizations. A large ruling party systems (central and local) and the democratic parties and other political groups are not civil society organizations; and a large number of institution which has close relation to party system can not be regarded as non-governmental organizations; all types of religious groups do not belong either. Therefore, non-political, non-career and non-religious are other characteristics of non-governmental organizations of China.

"Non-Governmental Organization" is not an inherent concept in China. According to the explanations by relevant authorities and institutions, NGO is abbreviation of "Non-Governmental Organization". Almost all countries in the world, in particular the ones impacted by the media exist mixture of general and indiscriminate use of NGO, much of the same or similar concepts are often used in different countries have different emphases, or be used interchangeably. Such as NGOs (non-governmental organization), non-profit organization, the third sector, civil society, voluntary organizations, public interest groups, charitable organizations and so on. They are

probably referring to those different from the government and the enterprises. Generally speaking, non-governmental organizations focused on the need for such organizations is not the Government or its subsidiary bodies, which independent of the state system; and non-profit organization focused on such organizations are not corporations, which independent of the market system; the third sector stressed they constitute the State, the market which is parallel to the third system; civil society stressed that the interaction between them and government relations; voluntary organizations stressed that the purpose of these organizations is not to be self-interest, but for the public interest; charitable organizations stressed that their funding comes from private charitable contributions. In general, seven kinds of characteristics are considered when talk about NGO or NPO in foreign countries: formal organization, including formal constitution, system, staff members, etc.; nongovernmental, also known as non-governmental, means neither a government and its subsidiary bodies, nor affiliated to the government or under its dominant; nonprofit-distributing, means a non-profit purposes, without dividends or profits distribution; self-governing, refers to the exercise of independent decision-making and ability to self-management; voluntary, refers to the participation of members, especially the concentration of resources is not mandatory, but voluntary, and organizational activities have a certain percentage of volunteers to take part in; nonpolitical, refers to it is not a political party and is not to stand for election and other political activities; nonreligious, means not a religious organization and is not carrying out missionary work, worship and other religious activities.

This article focuses on the evaluation of non-profit organization, and primarily on the comparative study of profit organization. Non-profit organizations, non-governmental organizations, the third sector, civil society and other "non-profit" all have a common feature which result in no essential difference of methods and practice when evaluating, so based on this consideration, this paper no distinction between these concepts.

### 3. Method

Performance is considered as relative performance levels for organization achieving its objectives under a specific situation, the relative level of volume can be described as multiple dimensions. Fitzgerald (1991) thinks that the performance can include competition, time, quality, innovation, efficiency, effectiveness and other dimensions. Generally speaking, each of these dimensions exist in organizational performance, but because of the nature of the organization itself and the resulting characteristics of the stakeholders, different organizations pursuing different performance dimensions on their own focus. Herman, Kushner, Poole, et al (2005) also pointed out that there are multiple dimensions of performance in non-profit organizations. In 1986, it was believed that the performance indicators are use of resources in certain areas to achieve specific targets to judge the situation, usually a qualitative description. Performance indicators are signals or guidance of an act rather than absolute. It does not directly provide measurement of input, process, output, nor the direct provision of a comprehensive sense of the performance evaluation. But it can provide useful information related to this. G. Stevenson Smith (1988) consider that since most of the non-profit organizations can not use profit as a tool for measuring organizational performance, it must be other ways to measure their performance. Performance evaluation of non-profit organizations is usually directed to the level of activities and services that allows administrators to control their activities. Chinese scholar Wu Wang, Kun Zhang (2004) consider performance as individual behaviors; Shuangmin Xu (2003) think that performance is the result of efficiency and result, or relate performance to productivity, quality, outcome and accountability. Then, performance is essentially a multidimensional concept that can not be simply equated with a particular aspect. Performance contains organized performance, team performance and individual performance at three levels. The non-profit organizations' overall performance is from financial, process, political, service, and other performance decisions. The greater the transparency of financial management, the less the gray income for managers, the less rent-seeking, the higher performance of non-profit organizations; the more capacity and space for political activities, the more social capital, then the higher performance of the non-profit organizations; the higher service attitude and product quality, the higher degree of consumer satisfaction, the higher overall performance of civil organizations. Hence, financial performance, political performance, service performance and process performance as decision key elements of the performance of non-profit organizations. Financial performance is the common performance of various organizations; political performance is special emphasized because the access to external resources, and government support is the most important; the process of performance is consequentially result for non-profit organizations' by means of transparency and standardization, that is because non-profit organizations, although not special emphasis on financial performance or economic performance, but also need to process specifications and be efficiency; service performance is because non-profit organizations' quasi-public products or the intrinsic nature of services. In addition, other factors that affect the performance of non-profit organizations, all combined into one category called "other performance". Based on this

understanding, assessment of non-profit organizations mainly includes financial performance evaluation, and political performance evaluation, service performance evaluation and process performance evaluation. Kinds of evaluation index system and evaluation method of selective presentation and repeatedly emphasized that "accountability" of evaluation are based on these four aspects of the assessment. It is worthy note that there are different methods for the different subjects, different evaluation objectives, different angles in the evaluation; it may make adjustments based on specific evaluation requirements.

#### 4. Results

Since 1990, non-profit organizations flourishing developed in the United States, Britain, Japan, Australia, Canada and other developed countries or regions, these developed countries or regions have established a number of semi-official intermediary assessments of semi-private institutions, using a variety of methods to assess non-profit organizations, and publicity and assessment of its findings. The Government has to step up supervision for non-profit organizations. Assessment of non-profit organizations in those countries involved in many things, from the view of evaluation subjects, including organized self-evaluation, the relevant participants in evaluation, an independent third party assessments; from the view of evaluation objects, there are financial performance evaluation, political performance evaluation, processes performance appraisal, services performance evaluation and other performance assessments; from the view of assessment method, either focus on one aspect of the organizations' assessment or integrated assessment methods, where the former also includes internal operating conditions of assessment, service quality evaluation, financial vulnerability assessment, assessment of organizational efficiency, effectiveness evaluation, while the latter includes ratio analysis, balanced scorecard, etc. As the non-profit organizations are different from corporations and government essentially, it becomes extremely important to introduce effective evaluation methods and assessment mechanism for non-profit organizations according to their own nature and function.

As the assessment of non-profit organizations are very complex and evaluation of human and financial cost is high, it is unlikely for all projects or activities should be assessed, but only selective evaluate based on the feature of non-profit organizations. This is not only feasible but also very necessary, especially in terms of China's current non-profit organizations. However, from the "bucket effect" in economics, we must take into account all aspects of operations affect the organization for non-profit organization to be sustained and healthy development. In accordance with the logic and research development, the main trend of non-profit organization assessment study focus either on particular aspect or a comprehensive and integrated assessment study (shown in Figure 1). Therefore, this paper reviews these two aspects of the evaluation study on the theory and methods, expecting an overview of the contribution and shortcomings in order to assess the non-profit organizations, hoping to promote China's research and practice.

##### *4.1 Review of Particular Aspect Evaluation Method of Non-Profit Organizations*

###### *4.1.1 GET inner operating assessment model and its evaluation of non-profit organizations*

To assess the internal operations of the organization is to exercise internal control. In rapidly developed countries or regions of non-profit organization, its internal control concept and nature of the study was a progressive development. As then on-profit organizations do not receive direct business competition in the market test, we can not assess the organization profit using a single indicator to measure. Non-profit organization exists because of its mission; the evaluation based on mission is much more complicated than companies. While the assessment of the organization's healthy and sustained development is indispensable, foreign scholars attempt to assess the internal operations assessment study for the non-profit organization in recent years. Mueller et al (2004) focus on the relationship between donors and non-profit organizations, expecting reveal whether there is need to establish a framework for the donor and the non-profit organizations to support the relationship between the assessment systems? If there is a need for it, how to build this assessment system? For the former, the results showed that 76.5% of donors in response to those who expressed interest in such a set of evaluation system, 68.3% of the non-profit organization think that the establishment of a set of reflecting assessment of the effectiveness of organization and operation system is valuable. Upon this, Mueller et al (2005) proposed GET (Gap Evaluation Tool) method for non-profit organization operating a self-assessment. The basic starting point is the difficulty for internal messy organizations have a sustainable development. The main reason is that it is difficult for donors to maintain long-term good relations. This method draw on six aspects of self-assessment for non-profit organizations through the effectiveness of organizational management, strategic planning, cooperative relations, institutional framework, governance, funding to identify the actual operation and the gap between expectations and reality, and focus organizational resources to larger gap, effectively improve operational capabilities, thereby improving the relationship between the organization and donors.

Mueller et al (2005) also applied GET method to non-profit organization established in New Zealand in 2003. According to Tauranga Moana Maori Tourism Inc (TMMT), the empirical research results show that GET is an effective internal evaluation of analytical tools and credibility than the high accountability assessment methods which can effectively improve the relationship between donor and organizations.

The main contribution of GET inner operating assessment model and its evaluation of non-profit organizations is a more clear understanding for its mission and objectives after the all-round overview of the organization, focusing resources to the need of improvement side, improving organizational accountability and reliability, while also improving the relationship between the organization and the donor through self-assessment of internal operations. However, improved relationship between donors and non-profit organization whether can lead to more financing sources and financial support requires long-term follow-up investigation and further tests. At the same time, how to implement this approach best, what issues should pay more attention to, how different non-profit organizations press their own demands on internal operations to adjust the content of assessment and revision are all direction for future research.

#### 4.1.2 Service quality evaluation model and its evaluation of non-profit organizations

A non-profit organization's objective is to provide services for a particular group. Increasing competitive pressure is forcing non-profit organizations to adopt modern business philosophy to provide customers with efficient service. The importance of service quality research in the non-profit organization has been universally accepted. Shiu et al (1997) for the first time applied the quality of services from business assessment model to assess the government and non-profit organizations and found that the assessment based on enterprise content and quality of service targets while not fully applicable to the government and non-profit organizations, but the method itself is feasible. Then Liz Vanghan & Edward Shiu (2000) use Association of the Disabled of United States as an example raised the quality of service evaluation model based on customer and applied to non-profit organization assessment. The customers are defined as the ultimate beneficiaries in order to meet the needs of the community. They think of services for persons with disabilities should be similar to the normal, also people with disabilities want more than basic survival, more of a self-actualization, self-confidence, success, reputation, or even a lifetime sense of accomplishment. To evaluate the satisfaction extent of Customers from Association for the Disabled and quality of services received by them, they interviews with Persons from the seven major Scottish Association with Disabilities, summarized the 40 indicators which customer generally accepted which describe the quality of services, and then questionnaire the persons from nation's leading voluntary organization of with disabilities, then recovery, sorting, analysis, and used principal component analysis of 40 indicators of the initial concentration of 10 variables describing different aspects of a quality of service level indicators, 27 sub-indicators for the assessment model; and in the practical application of service quality evaluation model, it should also take into account the nature of non-profit organizations to provide services different from the above-mentioned indicators and adjusted, a comprehensive quality of service assessment and the corresponding scores are given after the questionnaire distribution, collection, data analysis, the weight settings.

Service quality evaluation model of non-profit organizations is based on modern corporate marketing idea, making a comprehensive assessment of the quality of service from the customer's point of view. Non-profit organizations can assess the results from the quality of service found in under-served areas and adjust resource allocation; at the same time, non-profit organizations can consistently follow-up survey on quality of service. Therefore, service quality evaluation model not only continue to improve the quality of services which is a powerful diagnostic tool, but also for strategic planning and effective allocation of resources. Therefore, that method has been widely used in the United States. However, the limitations of the method are: quality of service is constitute of technical quality (service outcome) and functional quality (process quality); service quality evaluation model is simply a measure of functional quality, so it is not comprehensive; and some methods is built almost entirely in the service process assessment, how to combine the technical assessment and functional evaluation of quality of service is still a new issue, which need scholars make further studies; In addition, whether various countries and regions, different historical backgrounds and cultural traditions, different situational factors will affect the service quality evaluation results of non-profit organizations and how they affect? Research in this area is somewhat less.

#### 4.1.3 Financial vulnerability assessment method and its evaluation of non-profit organizations

Non-profit organizations' function is the effective third area governance government failure and market failure, its governance effectiveness depends on the understanding and grasp of their own resources, especially financial situation, and thus it needs more to maintain a healthy and stable financial position. If the public is unwilling to donate to the non-profit organizations and are unwilling to participate in its organization's volunteer activities,

the government is also unwilling to give it the necessary financial support, non-profit organizations inevitably due to lack of stable funding support in financial. So it is important to implement an effective non-profit organizations' financial vulnerability assessment method, identify their financial risks and maintain their self-survival and development capability. Chang & Tuckman (1991) first proposed a non-profit organizations' financial vulnerability issue, and the financial vulnerability and loss (attrition) is the two root causes of poor performance, and identified four indicators of financial fragility, with the E/R (Equity/Revenue) indicated the non-sufficient net assets, with the RCI (Revenue Concentration Index) indicated that the revenue concentration, with the AC expressed administrative costs, with the  $(R-C)/R$  said the marginal decline in operating income.

Greenlee & Trussel (2000) designed a similar enterprise's financial vulnerability of prediction methods. They use six types of indicators to measure the non-profit organization's financial vulnerability, such as using the Total Assets /Total Revenue to represent the equity ratio, with  $\Sigma$  (Revenue Sources /Total Revenues) represent revenue concentration ratio, with the Administrative Expenses /Total Revenues to represent the management cost rates, with  $(\text{Total Revenues}-\text{Total Expense})/\text{Total Revenues}$  to indicate the operation rate of the marginal things, then add two additional variable of organizational size and industry.

Hager (2001) first tested the prediction ability of Chang & Tuckmans' four indicators for non-profit organizations financial performance and results showed that the four indicators are different for different non-profit organizations about financial fragility prediction efficiency. Although the four indicators of financial vulnerability measure ability to forecast the demise of non-profit organizations are not entirely effective, these indicators forecast the demise of the fragile and has proven to be effective for cultural type non-profit organizations. Trussel (2002) selected 94002 charity institutions from 1997 to 1999 as a sample, selected similar variables of financial vulnerability as Greenlee and Trussel, taking into account the availability of relevant data, Trussel uses the debt ratio (Total Liabilities/Total Assets) instead of the equity ratio, and adds size variable, further research found that these variables could correctly predict 65% of the financial vulnerability of the organization.

Further comparison of these studies can find that Greenlee & Trussel proposed financial vulnerability index model of non-profit organizations is not only clear and easy to operate, but also increased the type and scale of indicators which proposed standardized mathematical model. Using this model for financial assessment, we can understand the vulnerability of its financial position, extent and future development trends, internal and external stakeholders and based on evaluation results may make a strategic planning and resource allocation decisions, suppliers and creditors so as to determine their credit terms. What should be pointed out is that whether different types of non-profit organizations need to use different sets of financial vulnerability of forecasting models, and how to design the model variables? A certain type of non-profit organization's financial risk is bigger than other type and how to test? What is the root causes of the financial vulnerability? Are there any other financial or non-financial variables to better predict the non-profit organization's financial vulnerability? After predicting the financial vulnerability of nonprofit organizations, what are the possible ways of its improvement? These are the potential shortcomings of the method and future research directions.

#### 4.1.4 DEA efficiency assessment method and its evaluation of non-profit organizations

Performance evaluation of non-profit organizations needs to address two issues in general: first, what are criteria of non-profit organizational performance? On what extent a non-profit organization's performance is effective? Second, how the various factors affect the performance of the allocation of weights among multiple objectives, multiple inputs, and multiple output of the organizational environment? Especially in the non-profit organizations whose market value is difficult to accurately measure and the importance of the second question becomes even more conspicuous.

DEA method can well resolved two issues, first of all, DEA is no need to set a pre-assessment criteria which is different from other performance assessment methods, but through a comparative analysis of a number of organizational units which was conducted after the assessment of the relative effectiveness of an organization depends on the effectiveness of the performance of other organizations; second, usually the distribution of weight is an expert's decision or based on the factors affecting the stability of the level of each person, its scientific nature remains to be tested, while the DEA is drawn through a set of mathematical procedures for the optimal weights.

Tomkins & Green (1988) using six input - output model by DEA method of the validity of the British university accounting department and apply a lot of sensitivity analysis to try to confirm the limitations of DEA analysis, they believe that the results of DEA analysis can not provide adequate and complete information for the college decision-making, even if only from the efficiency considerations, relying solely on the results of data analysis to

develop decision-making, in which the risks should arouse our attention. Luksetich & Hughes (1997) using DEA methods about financing efficiency assessment of the 78 Symphonies of United States, and propose the DEA efficiency evaluation applied to the organizational unit is similar, the market environment should be similar and the factors affecting the efficiency of organizational units should be the same and so on; if the efficiency of evaluation of a non-profit organizations and other non-profit organizations is in different attributes, then the results of the assessment does not truly reflect differences in its efficiency, but only some of the basic differences between organizations, and therefore the assessment is invalid.

DEA method which applied to non-profit organizations crosses the general assessment methodology to evaluate the standard setting, and the two obstacles among the various factors the distribution of weight. This method using mathematical procedures to evaluate the efficiency of self-organization, so that can assess the results of improving non-DEA efficient decision-making unit in order to enhancing the organization's overall operating efficiency. However, DEA efficiency assessment methods on the basis of the data require a higher require comprehensive understanding of evaluation unit by related personnel; At the same time, the method vulnerable to the impact of unusual observations in sample; In addition, this method assumes that there is no random error term, that is not considered of the impact of other factors on the efficiency of model; Finally, DEA efficiency results are impacted a lot by the method of calculating and there is exaggerated assessment. How DEA assessment methodology for the above areas to be improved needs to be further explored.

#### 4.1.5 Evaluation of the effect of assessment method of non-profit organizations

Government, donors, customers, regulators, the board are all non-profit organization stakeholders. Non-profit organizations depend on their access to financial support; Meanwhile, according to their set of accountability standards to achieve accountability. Government funds the non-profit organizations by the completion of specific goals and mission. Thus, the pressure of accountability has made a non-profit organizational effectiveness assessment urgently. Effect refers to individuals or groups to participate in non-profit organizations gaining the benefits of a project or the occurrence of the change (UWA, 1995) and also is a comparative assessment of a project activity results and expectation (GPRA, 1993). The assessment of the performance of the non-profit organizations usually involves inputs, outputs, efficiency, effectiveness, of which investment is resource what put into a project, such as training materials, funds, time, etc.; output refers to Direct products measured per unit such as meals to the elderly per capita quantity, etc.; the efficiency is the ratio between inputs and outputs of the project. Natalie Buck master (1999) first and then proposed impact assessment model for non-profit organizations. (Shown in Table 2)

At the same time, Natalie Buck master (1999) considers that this assessment as a tool for organizational learning, which evaluate a specific project input, the processing of input, and the greatest output of the external effects. Organization can adjust in accordance with the final evaluation results on strategic planning, planning and implementation. This assessment method is of great significance for non-profit organization developing. So, what are the factors that affect the quality of impact assessment? Dennis L. Poole et al (2001) proposed five predictor variables, such as organizational culture, management support, participation, technology, financial support which will have an impact on the quality of impact assessment, and used empirical test of path analysis methods. (Results shown in Figure 2)

As a result of the analysis from Figure 2, we can see the quality of financial support for the impact assessment had no significant effects. Participation has the greatest impact on the quality of the assessment (0.57), followed by management support (0.35), at the same time, management support, technology through participation indirectly impact on the quality of impact assessment. Organizational culture which through the management support and technical function impact evaluation quality.  $R^2 = 0.28$  shows the organizational culture, management support, technology, participation can only interpret the effects of four predictor variables assessing the quality of mutation 28%, then the remaining 72% subject to the factors which impact? Political factors? How about other external factors? Organizational effectiveness assessment experience? Ease of assessment methods? These are all aspects to be verified.

Impact assessment is a method to answer the non-profit organization of "accountability" and will improve the public image and credibility of the organization in order for the organization to provide full support for sustainable development.

However, in the relative several methods described above, the impact assessment is the most complex which need collecting data from multiple sources, including the non-profit organizations within the official records by other organizations to collate the data after processing, the customer participate in the project before and after the empirical data, public awareness, an independent third party, peer inspection as well as internal and external

benchmarking, etc., but many of the data is subjective. How to obtain reliable data within an acceptable cost? Meanwhile, the use of statistical data to conduct impact assessment is not always appropriate, because the effect evaluation will involve the different stakeholders, how to reflect the relationship between objectives and results as well as internal and external environmental changes, how to quantify these explanatory, descriptive information? In addition, because impact assessment is not isolated, it combines the functions of other non-profit organizations can ensure the effectiveness of the implementation, how to assess the effect of other functions and organization of organically combined? In addition, how to obtain accurate, reliable long-term data in long-term and the resulting costs associated with it is a mainly problem. Finally, since the most important factors is the effect of participation, then broad participation helps to build confidence between management and staff, establishing shared values, encouraging innovation, all of the implementation of impact assessment are useful. So how to increase the participation of non-profit organizations and of stakeholders? All these issues have yet to be further studied.

#### *4.2 Review of integrated assessment methods of non-profit organizations*

For the non-profit organizations, service quality, internal operations, the financial condition of vulnerability, organizational efficiency and effectiveness and so on all play a decisive role for its survival and development, in which any one of them can not be ignored. Therefore, a weighted combination of non-profit organization involved in all aspects of operations and thus provides multi-angle support has become an important issue. The assessment of non-profit organization is an important way to solve the problem. Though application of comprehensive assessment is restricted by the size, ability to assess, the external environment constraints of non-profit organization, the advantages of integrated assessment methods, as well as the future development trend of non-profit organizations is bound to make a comprehensive assessment to the promotion and popularization.

##### *4.2.1 Ratio analysis evaluation method of non-profit organizations*

The ratio analytical assessment thinks non-profit organization exist for "mission", to assess their performance must be given to the mission of their organizations. Around the non-profit organization's mission, Dr Anne Abraham (2006) first used ratio analysis method in evaluation of non-profit organizations, he proposed using appropriate financial ratios and operating ratios to answer the four questions, taking into account the non-profit organization is integration body of mission, staff and financial, so these ratios and capital is not only related to funds, but also the core of the main non-profit organization's mission: the organization method and its evaluation of the staff.

Question 1: Does non-profit organization have adequate resource to support the accomplishment of the mission? This problem is mainly about the adequacy of financial resources and its flexibility. Can organizations maintain the existing mode for operation survive and development?

Question 2: What are the available resources to support non-profit organization's mission complete? The questions focused on the long-term financing capacity of the organization, emphasizing how to use the debt, internal and external sources of revenue to support the organization's mission accomplished.

Question 3: How do the available resources supporting the organization's mission complete? This problem epitomized the distribution of scarce resources. That is considering the organization's mission, the need to identify its core activities and supplementary activities and decide to allocate resources between the two.

Question 4: Is the use of organizational resources adequate or effective? This issue focuses on accountability and financial performance, emphasizing how the use of resources, resource efficiency, effectiveness? In order to achieve the organization's mission, is there better allocation method?

The calculation of ratio analysis method of non-profit organization focused on different aspects of operations, the calculation is not the purpose. What is important is how to explain and understand a particular environment results, and then find causes of financial situation, identifying their own strengths and weaknesses, and then make strategy adjustments to improve the non-profit organization's own business situation. Since the method for each rate is designed a particular aspect of health status, it is easier to fully understand the organization's financial condition and operating conditions at the same time of reducing financial data. More important, it is easier to make adjustments and improvements. It enables the organization to repay the debt due without any "deficit". Ratio analysis is widely used because of its conceptual clarity, and computing simple. However, the method typically requires prior identification of relevant financial ratios of the standard value, then use the actual value compared with the standard value, and get the corresponding evaluation results.

It has a strong empirical color for establishing standards, and also there is a large subjective and arbitrary. Not

only the same rate is not comparable, even if the same non-profit organizations at different times, due to the operating environment, operating characteristics of the change, the choice of accounting methods, the same percentage of the calculated values are not comparable. There is little research about how to set scientific assessment criteria for different types, different conditions; at the same time, the calculation of financial ratios is a relatively simple, but to illustrate and explain it is a very complex and difficult. Ratio analysis method with these inherent shortcomings provides a new space to our future research.

#### 4.2.2 Balanced Scored Card evaluation method and its evaluation of non-profit organizations

BSC (Balanced Scored Card) is proposed by Robert S. Kaplan & David P. Norton in the early 1990s. It is for the measurement and evaluation of corporations the based on the firm's strategic planning. It is a comprehensive assessment of the four aspects of business performance through the analysis and measurement of drivers for good future performance, from a financial, customer, internal processes, innovation and learning. As an excellent performance management tool, the Balanced Scored Card has been widely used in the enterprise performance evaluation, and gradually extended to non-profit organization management. There are two differences of balanced scored card for the non-profit organizations and enterprise: First, on-profit organizations more emphasis on vision and mission; Secondly, the profit is no longer the most important. All the objectives for non-profit organizations are the completion of the mission, therefore, a balanced scored card will be used for non-profit organizations and causation needs to be adjusted accordingly. Ching-Chow Yang, et al (2005) put customers at the heart position when using BSC and define the internal processes, learning and growth in order to maximize value to customers from the customer's perspective; they focus on financial aspects, customer, internal business processes, learning and growth, and four aspects of designing evaluation index, and conduct detailed planning for non-profit organizations.

Wenbiao Luo and Chong Wu (2006) suggested that the BSC not only has fixed four aspects. All pairs of non-profit organizations play an important role in the strategic success, and can create a competitive advantage for the non-profit organizations. Organizations can make adjustments according to its own conditions and environment, and increase the "government" and "competition" on the basis of the BSC.

BSC as an information systems management tool helps to timely access to relevant, reliable, and important information, quickly find that the deficiencies of the business and take action to improve. The ultimate goal is to effectively reach the organization's mission. With the BSC as a results-oriented management approach not only advised by the GPRA (Government Performance and Results Act), but also accepted by many U.S. local government. A large number of non-profit organizations have used to evaluate the organization of this dynamic method. How to improve the evaluation of the involved stakeholders in-depth awareness and communication to ensure the successful implementation of BSC? Meanwhile, the BSC assessment model applied to non-profit organization, how about its reliability and validity, there is no relevant evidence to support. How to make a scientific evaluation of the assessment method remains to be our further efforts.

## 5. Conclusions and Discussion

This paper based on the introduction of evaluation theory of non-profit organization, the content of evaluation of non-profit organization, focused on a particular aspect of the assessment of internal operations GET assessment model, service quality evaluation model, financial vulnerability assessment, DEA efficiency assessment, effective assessment theories and methods, as well as a comprehensive ratio assessment of non-profit organizations, and other relevant theories and methods. We confirm scientific contribution of these theories and methods. At the same time, these theories and methods also have shortcomings that for future research. This assessment study is good for the Chinese non-profit organizations and provide a better frame of reference and experience to draw on: First of all, the evaluation of non-profit organizations is to achieve the organization's mission or objectives of management; Secondly, as a non-profit organizations as part of an overall management strategy, different assessment methods have different emphases, there is no assessment methods which are "universal", and therefore choose assessment methods considered non-profit organization's own ability, objectives and the assessment results, etc.; Third, after non-profit organizations' assessment, how to scientifically use the assessment results to diagnose and identify problems, how to make the appropriate organizational structure design, transforming the board, management, process re-organization, how to carry out policies and regulations on the level of innovation and change the original path dependency, how to achieve non-profit organizations and corporate organizations and governmental organizations, the management of interaction among themselves from each other, are worthy of further reflection of the reality.

In addition, considering the quality of evaluations is the lifeline of assess, the quality depends mainly on data quality, especially the quality of accounting statements of non-profit organizations. At present, whether business

or non-profit organization, accounting information quality are not high, seriously affecting the basic data which effect on the authenticity and credibility. It is true that there are kinds of causes leading to information distortion, but how non-profit organizations improve the quality of accounting information in order to improve the quality of the assessment from both internal and external side, thus improving non-profit organization governance, and forming a virtuous cycle of interactive evaluation mechanism. They are all most important issues in the future study.

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Table 1. 2001-2008 Statistics of Kinds of Non-Profit Organization in China

| index                                  | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|----------------------------------------|------|------|------|------|------|------|------|------|
| Social Group(thousand)                 | 12.9 | 13.3 | 14.2 | 15.3 | 17.1 | 19.2 | 21.2 | 23.0 |
| Civil Non-Profit Corporation(thousand) | 8.2  | 11.1 | 12.4 | 13.5 | 14.8 | 16.1 | 17.4 | 18.2 |
| Foundation                             |      |      | 954  | 892  | 975  | 1144 | 1340 | 1597 |

Table 2. Model of Effective Evaluation of Non-Profit Organization

| Input             |   | Operation flow   |   | Output             |   | Effect    |
|-------------------|---|------------------|---|--------------------|---|-----------|
| Money             |   | Food, Lodge      |   | Tutor time         |   | Knowledge |
| Employee          |   | Training         |   | Consultation time  |   | Skill     |
| Volunteer         | → | Public Education | → | Files              | → | Attitude  |
| Equipment         |   | Consultation     |   | Time for Service   |   | Behavior  |
| Regulation        |   | Tutorship        |   | People for Service |   | Condition |
| Donor Requirement |   |                  |   |                    |   | Status    |

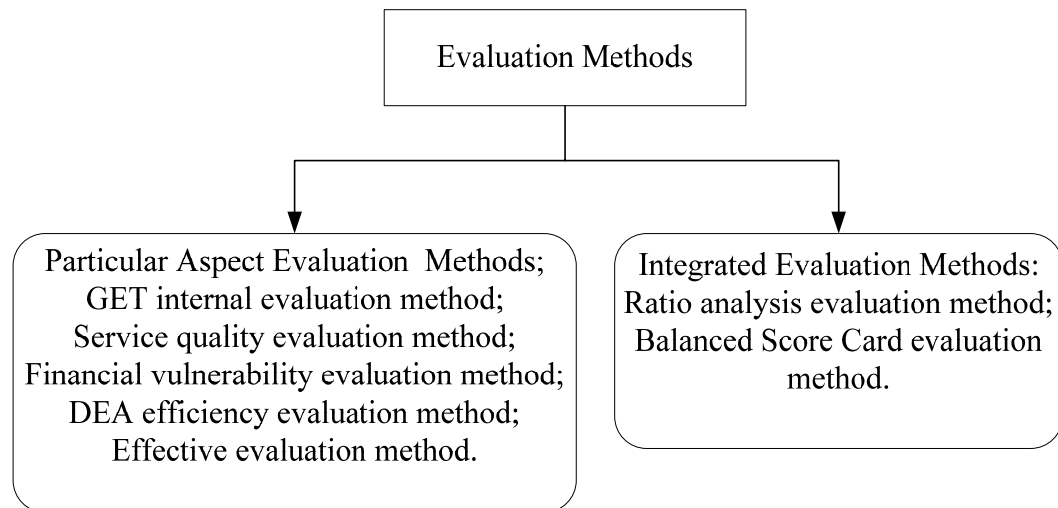


Figure 1. Classification of Evaluation Methods of Non-Profit Organizations

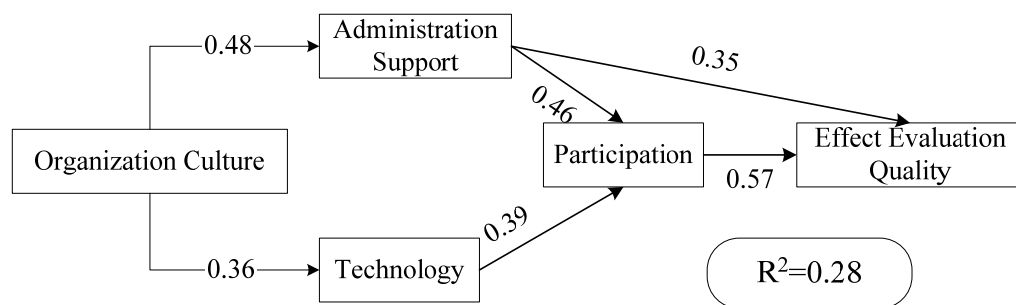


Figure 2. Path Analysis Result of Evaluation Quality of Non-Profit Organization