

## How to Measure the “Social Responsibility” Performance of Non-profit Organizations in China?

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**Abstract:** Recently, frequent charity scandals have exposed the chaos and lack of social responsibility in the management of non-profit organizations in China. By contrast, enterprises have relatively mature performance measurement indicators, which can quickly and accurately reflect the enterprises' performance. If an enterprise's profitability is high, it can generally be considered a success. But profitability standards do not apply to non-profit organizations. Peter Drucker has a classic management saying: “you can't manage what you can't measure.” Do good should also strive for excellence. How to measure the performance of non-profit organizations is a world-class problem. This article believes that non-profit organizations should pay more attention to measuring and fulfilling social responsibilities performance than to other types of organizations. From the perspective of stakeholder theory, voluntary failure theory, and social responsibility theory, this article creatively builds social responsibility performance measurement dimensions and indicators of non-profit organizations. This article comprehensively uses the methods of case analysis and statistical analysis to explore the antecedent factors of non-profit organizations “social responsibility” performance and the formation mechanism of how influencing factors shaping social responsibility performance of non-profit organizations, and how does social responsibility performance influence organizational stability. Furthermore, based on the results of the research, management recommendations are proposed to measure and improve the “social responsibility” performance of non-profit organizations.

### 1. Introduction

Non-profit organization is the theme of the 21st century, and Chinese non-profit organizations (NPOs) show a vigorous development trend. NPOs play an increasingly positive role in providing public services, participating in social governance, resolving social conflicts and maintaining social order. The voluntary services provided by NPOs not only have a great spiritual value, but also create huge economic value. During the 2008 Beijing Olympic Games, the number of Olympic volunteers reached 1.7 million, and their total working hours exceeded 200 million hours, saving more than RMB 4.2 billion yuan for China.

The growth history of NPOs in China which is similar to that of China's market economy, is experiencing a process of “crossing the river by feeling for the stones” exploration. However, there still is not a clear measurement system and indicators about how much contribution do NPOs make to the society. The research on organizational performance is necessary and important. On the one hand, organizational performance reflects the realization degree of organizational goals. Measuring the performance of NPOs is conducive to increasing the transparency of NPOs, standardizing their

development, and providing standards for the NPOs supervision by the government and society. On the other hand, despite the developing state of NPOs is well at present, NPOs vary in different levels, and most of them still face the problems of low access to resources and weak organizational capacity. Under the background of increasing social demand and fiercer competition, NPOs should continuously enhance their service capacity and “social responsibility” performance for sustainability development.

A 24 years old poor college girl in Guizhou Province, Huayan Wu, with a weight of only 21.5 kg, died of illness in January 2020. However, the China Charities Aid Foundation For Children (CCAFC) raised RMB 1 million yuan donation but only RMB 20,000 yuan was allocated to Huayan Wu. In December 2019, the volunteers of Shuidichou fund-raising NPO, went to the hospital to “promote sales”, and the volunteers of NPOs became salesmen. The volunteers of Shuidichou fund-raising NPO could get more than RMB 10,000 yuan per month in return. The Red Cross Society of Hubei Province did not deliver aid against the severe New crown pneumonia (NCP) that prevails in 2020 in time, which caused a wide range of social debate. These charity scandals reveal the mess in the management of NPOs. Some NPOs have become perfunctory and utilitarian, and constantly benefit from the kindness of the public, which exposes the lack of social responsibility management of NPOs in China.

Peter Drucker has a classic management saying: “you can’t manage what you can’t measure.” [3] Drucker pointed out that the era of pursuing organizational performance has come, and performance management will become the symbol of management [4]. Drucker proposed in *New Realities* that the success of NPO can not just be seen in the profit and loss of finance. NPOs should ask themselves: Are our deeds in line with our mission? Can success be best measured by satisfying the needs of the people we serve? Using the bottom line to measure the organizational performance of NPOs is not enough, but other standards are needed, such as the growth of organizational members, organizational innovation, and the quality of products and services [5].

The performance measurement mode of NPOs is not exactly the same as that of enterprises. NPOs should not only pay attention to their own financial performance, but also undertake more social responsibilities, including: offering support and training for full-time employees and volunteers, actively responding to the appeals of donors and recipients, shaping their image and reputation that meet the public expectations, making suggestions to the government, and speaking up for vulnerable groups, participating in the emergency management of public crisis incidents. It can be said that the pursuit of social responsibility is a typical feature that makes NPOs different from enterprises. The existing research emphasizes the fulfillment of social responsibility for NPOs [16], but few studies apply it to empirical research. Do good should also strive for excellence. This study will deepen the knowledge of performance management of NPOs, and explore how to measure “social responsibility” performance of NPOs effectively.

## **2. Literature Review**

### **2.1 The Characteristics of NPOs**

Government, enterprises and NPOs are the three basic plates of society. Specifically, government constitutes administrative capital, enterprises constituting market capital, and social organizations constitute social capital. Operated based on the voluntary spirit of the public and managed to serve the society and pursue the maximization of public interests, NPOs provide public goods or quasi-public goods. Nowadays, NPOs cover the fields such as environmental protection, education, poverty alleviation, medical treatment, science, promoting employment of disadvantaged groups. Since the 1970s, the global community revolution has sprung up, and NPOs have developed unprecedentedly all over the world. With the tides of globalization, China’s NPOs have also begun to grow rapidly and have made positive contributions in mobilizing social resources and satisfying social needs. To some extent, they have solved government failure and market failure in the present era. Salamon thought that formal, autonomy, unprofitable and philanthropic are the general characteristics of NPOs. <sup>[13]</sup> To be specific, formal means that NPOs must be legally registered,

have a standardized organizational structure and management system, and carry out regular activities. Autonomy means NPOs have the right to determine their own organizational structure, personnel composition, management system and development planning. Unprofitable means that the purpose of the establishment of NPOs is not to create profits, but to solve social problems, promote social development, improve human quality, and achieve sustainable development of human society. Philanthropic means NPOs are engaged in public welfare projects, full of altruism, and committed to solving some major social problems, such as population, poverty, education, environmental protection.

As for the organizational limitations of NPOs, Salamon put forward the voluntary failure theory, thinking insufficient supply, parochialism, patriarchal and amateurism [13]. Firstly, the supply of NPOs is often insufficient due to the “free rider” problem and the fact that the sources of funds of NPOs are instability. Secondly, the service objects of NPOs are often special groups or vulnerable groups in the society, so NPOs have the disadvantage of parochialism. Thirdly, NPOs obtain resources mainly through donation. People who control the donation resources often influence the organization’s decisions according to their own preferences, which easily leads to patriarchal style. Fourthly, because of the limitation of funds, NPOs cannot provide enough reward to attract professional talents. As a result, many jobs can only be done by caring amateurs, making it hard to guarantee service quality. The above is manifested by the amateurism of NPOs.

## **2.2 Performance Measurement of NPOs**

Performance means completing a certain task or achieving a certain goal. Generally, performance can be divided into economic performance, environmental performance, humanistic performance, social performance and innovation performance. Motowidlo and Scotter proposed a dual structure model of performance which was the distinction between task performance and contextual performance. Task performance is directly related to specific tasks, that is, the consideration of quantity, quality, cost of the task. Contextual performance refers to the factors that are not directly related to specific tasks, but have certain impact on them, including personality factors and motivational factors, all of which will have an important impact on organization performance in the long term [8]. Steer suggested that organizational performance can be measured from five aspects: (1) overall performance, measured by employee or supervisory ratings; (2) productivity, measured typically with actual output data; (3) employee satisfaction, measured by self-report questionnaires; (4) profit, or rate of return, based on accounting data; and (5) withdrawal, based on archival turnover and absenteeism data. [15] Leonard suggested that a successful NPO should have good capability in creating value and of community services. Through empirical study of community foundations in the United States [7]. Guo and Brown divided the measurement indicators of foundation performance into income performance and charity performance. The former focuses on the income level of NPOs, so as to show the efficiency of NPOs, while the latter pays more attention to the capacity of NPOs to allocate resources and provide services to the society [6]. Niven proposed that top priority should be given to the fulfillment of organization missions in the performance measurement of public organizations [10]. This is the biggest difference in performance measurement between enterprises aiming at profit-making and NPOs. In order to fulfill their missions, NPOs must pay attention to the learning and growth of employees, organizational construction perfection, teamwork capacity and the satisfaction of customers and donors. From the perspective of evaluation subject, performance measurement of the NPOs can be divided into organization self-evaluation, related participant evaluation and independent third-party organization evaluation. From the perspective of evaluation object, performance measurement of the NPOs can be divided into financial performance evaluation and social service performance evaluation.

Deng proposed the accountability-performance-capacity (APC) measurement model as a measurement tool to evaluate the performance of NPOs [2]. Muller designed an analysis tool named Gap Evaluation Tool (GET) to carry out self-evaluation on six aspects of NPOs, that are management effectiveness, strategic planning, collaboration, institutional framework, governance

and financing. <sup>[9]</sup> Based on the evaluate outcome, NPOs could find out the gap between actual operation and expectation, and concentrate resources on the areas with a large gap. In addition, the balanced scorecard, which was first applied to the measure the performance of enterprises, is then gradually applied to NPOs [12]. Norton and Kaplan proposed a balanced scorecard method to measure organizational performance in terms of finance, customer satisfaction, internal processes, learning and growth. Financial dimension includes business income and donation income. Customer satisfaction includes the satisfaction of donators and customers. The goals of internal process are to motivate employees and volunteers, improve the operation efficiency, build the core competence of the organization, and provide follow-up services. In terms of learning and growth, the sustainable development of the organization should be pondered from the perspective of foresight [11].

### 3. Case Analysis of D Marine Environmental NPO

China's ocean development and utilization started relatively late, thus there are few laws and regulations on marine environmental protection. Since 2012, with the promotion of China's marine power strategy, China's marine environmental protection legal system has been improved and deepened gradually. The Ocean Health Index (OHI) is a comprehensive indicator to evaluate the capacity and sustainability of the oceans to provide human welfare. At present, the score of China's OHI is lower than the world average. From this point of view, the situation of China's marine protection is not very optimistic. As one of the governance subjects, marine environmental NPOs play an increasingly important role in marine environmental governance and can carry out marine environmental protection activities, such as marine environmental protection education and publicity, specific marine resources protection, implementation of cleaning beaches and recording of garbage monitoring database. However, there is little effect in more professional areas of marine environmental protection. In addition, NPOs lack effective participation in environmental policy consultation and environmental public interest litigation.

This study takes a non-profit organization called D Marine Environmental Non-profit Organization which registered in Shanghai in 2013 as an example, measuring its "social responsibility" performance from multi-aspects. D Marine Environmental Non-profit Organization is dedicated to promoting marine environmental protection. The main income of the organization is the donation of the foundation and the service income of the enterprise, where the income of service purchased by the government also accounts for a certain proportion. D Marine Environmental Non-profit Organization expects that everyone can participate in marine environmental protection, to gradually change our way of life and production, and build a friendly relationship with the ocean. D Marine Environmental Non-profit Organization's mission is to clean the ocean, to carry out the solid waste disposal of oceans and shores of rivers, to become a regional hub NPO for marine environmental protection, to promote and maintain the cultivation, learning, cooperation and collaborative network of domestic NPOs involved in marine environmental protection. We can measure the "social responsibility" performance of D Marine Environmental Non-profit Organization from efficiency, social trust, employee retention, and mission achievement.

The survival and development of NPOs depend on external resources support. Therefore, the ability and efficiency to obtain resources is an important index to evaluate the performance of NPOs. The capacity to access resources, the capacity to get sufficient funds, and the ratio of cost to benefit are important indices to evaluate the performance of NPOs. Table 1 shows the financial details of D Marine Environmental Non-profit Organization from 2014 to 2018.

Table 1 Annual Income Composition of D Marine Environmental Non-profit Organization.

	2014	2015	2016	2017	2018
	Proportion	Proportion	Proportion	Proportion	Proportion
Donation income	13%	1%	0%	51%	63%
Service income	86%	99%	99%	44%	36%
Thereinto,	42%	9%	8%	14%	9%

service income from government					
Governmental subsidy	0%	0%	0%	4%	0%
Investment	0%	0%	1%	1%	1%
Others	1%	0%	0%	0%	0%
Total	100%	100%	100%	100%	100%

Figure 1 displays the degree of social trust in marine environmental NPOs conducted by D Marine Environmental Non-profit Organization. As shown in figure 1, 85% of all 169 respondents expressed their trust in the marine environmental NPOs.

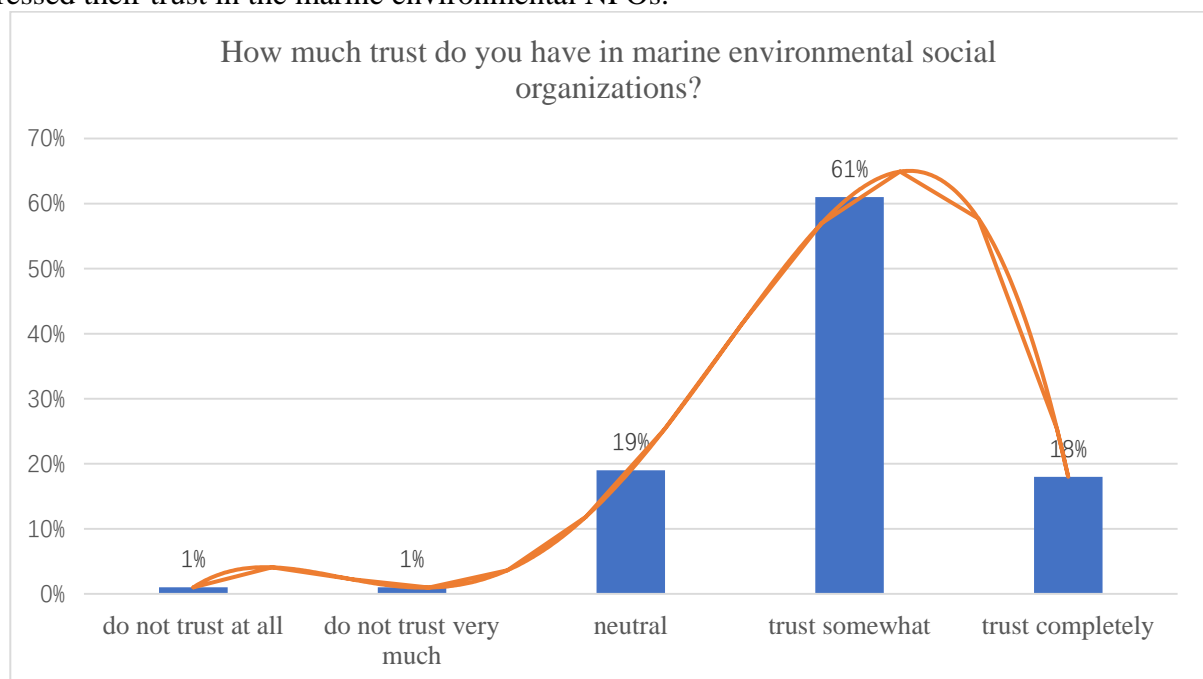


Figure 1 Respondents' trust in marine environmental social organizations

By June 2019, 18 full-time employees of D Marine Environmental Non-profit Organization offered to resign after working for a period of time. In addition to the reason of low salary, the weak mission achievement is also an important factor that leading employees finally leave.

#### 4. Conclusion and Suggestions

Table 2 Measurement of "social responsibility" performance of NPOs

Dimensions	Index connotation
Mission achievement	The original mission of the NPOs, whether the organizational behavior deviates from the mission of the NPOs.
Organizational construction perfection	There is a well-functioning board of directors, board of supervisors, secretary-general. There are clear job descriptions, employee and volunteer training programs.
Operation strategy	Sustainability strategy, innovation strategy.
Social trust	The organization's social image and reputation.
Employee retention	Retention of full-time staff and volunteers (turnover rate).
Donors' satisfaction	Satisfaction of non-profit organizations' stakeholders.
Customers' satisfaction	Satisfaction of non-profit organizations' stakeholders.
Efficiency	The capacity to access resources, the ratio of cost to benefit.

Based on case analysis and theoretical analysis, this research has developed a management tool

to measure the “social responsibility” performance of NPOs. As shown in Table 2, NPOs with high “social responsibility” performance be considered from the following indicators: Mission achievement (the original intention of their establishment; whether the organizational behavior deviates from their mission); Organization perfection (well-run board, supervisory board, secretary-general); Operation strategy (Sustainability strategy, innovation strategy); Social trust (the organization’s social image and reputation); Employee retention (turnover rate of full-time employees and volunteers); Donors’ satisfaction; Customers’ satisfaction; Efficiency (the capacity to access resources, the ratio of cost to benefit). Figure 2 shows the stakeholders of NPOs.

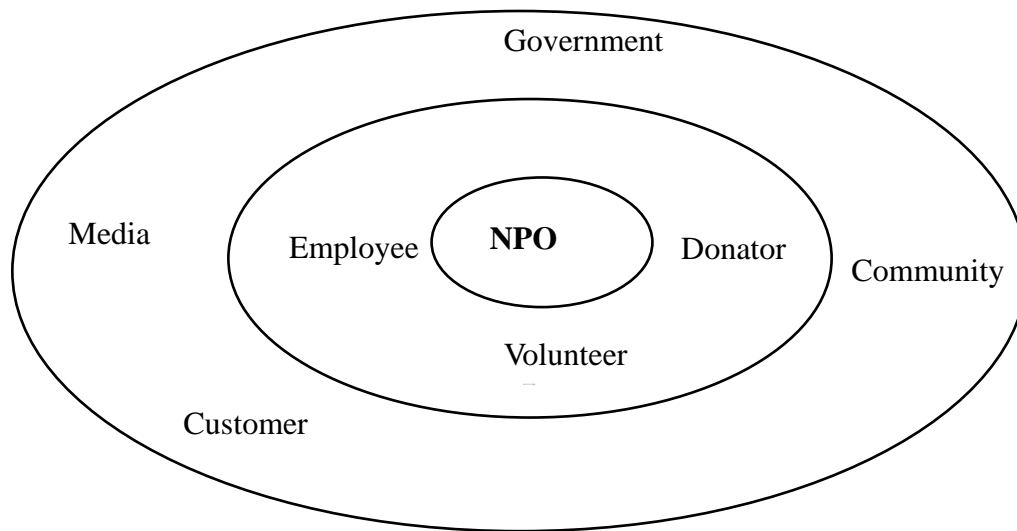


Figure 2 The stakeholders of NPOs

The social responsibility of non-profit organizations is to maximize public interest. According to the content of social responsibility of non-profit organizations and the needs of society, this research puts forward four prospects to deepen understanding of NPOs’ social responsibility performance.

Responsibility for poverty alleviation, China has a vast territory, a large population and unbalanced development. As established at the 19th National Congress of the CCP, in the context of new era, the principal contradiction in China is ‘between unbalanced and inadequate development and the people’s ever-growing needs for a better life’. China’s assistance to the poor and vulnerable groups in society mainly includes two levels, one is the government, and the other is the non-profit organization. Therefore, the non-profit organization is an indispensable part of the social assistance system.

Democratic supervision responsibility. Some non-profit organizations provide professional advice on policy consulting based on the practical experience of volunteer activities. Some non-profit organizations set up a think tank by inviting experts to write research reports which providing important information for government decision-making. Some non-profit organizations also supervise the government s’ governance process through participating in hearing conferences which brings pressure on governments to “prudent decision-making”.

Participation in public crisis emergency management. Beck, Lash and Wynne proposed the theory of risk society [1]. They regard the rapid transformation of Chinese society to “compressing cookies”, and Chinese society are facing various public crisis emergencies at present. Non-profit organizations could participate in the governance of public crises and provide timely and necessary supplements to the government’s handling of public crises. In addition, when a major public crisis event occurs, once a non-profit organization finds that the government has deliberately concealed or acted in an inactive manner, the non-profit organizations could promptly file a public interest lawsuit on behalf of the victim group.

Increasing employment opportunities. Providing more employment opportunities is the positive

externality of non-profit organizations. A well-known WISE model in Europe, namely Work Integration Social Enterprise <sup>[14]</sup>, highlights the unique contribution of some non-profit organizations in promoting employment of disadvantaged groups.

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