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Reconciling Performance Management and Citizen Engagement

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Nonprofit organizations receiving government contracts are now central to the provision of a host of public services, including community care, workforce development, substance abuse treatment, and early childhood education. Government’s increased dependence on nonprofits has in turn prompted more intensive efforts to hold nonprofit service organizations accountable for the expenditure of public funds, especially through greater regulation such as performance-based contracting. Overall, these regulatory strategies do not directly address the governance of nonprofits or their engagement with the community and citizens; instead, the focus of performance management is on government programmatic priorities. The central argument of this article is that the inattention to governance and citizen engagement can undermine good performance and program sustainability. Consequently, this article offers a framework for government and nonprofit managers to integrate performance management and citizen engagement. This approach requires a more inclusive performance management strategy that emphasizes programmatic goals as well as sound governance and ongoing support for citizen participation. Indeed, only by close attention to community and citizenship, broadly defined, can the promise of innovation and performance by nonprofits be effectively realized.

Keywords: nonprofits organizations; public administration; performance management

Arguably, the importance of nonprofit organizations within public administration in the United States is at an all-time high: The number of 501(c)(3) organizations has almost doubled since 1996, to more than 1 million organizations (National Center for Charitable Statistics [NCCS], 2009a); thousands of nonprofit organizations provide valued public services to the citizenry, often through government contracts; and millions of people work or volunteer in nonprofit organizations. The Obama administration has been a vocal and visible supporter of nonprofits and their role in addressing public problems. Indeed, the administration won passage of the Edward M. Kennedy Serve America Act of 2009;
eventually the legislation could fund up to 250,000 volunteers annually through AmeriCorps, VISTA, and other community service programs. These stipended volunteers will primarily work in local nonprofit organizations providing direct services and support to communities throughout the country. At the state and local level, government officials and nonprofits are often engaged in long-term relationships where nonprofits provide a wide variety of direct services to citizens, especially in the fields of social and health care. And, coalitions and associations representing nonprofits work closely with state and local government on a broad array of policy and practice issues.

This growth of nonprofits in providing public services reflects many important trends: a desire to lower the costs of public services; the local grassroots appeal of many nonprofits; including the potential of nonprofits to build social capital and local communities; interest in policy devolution and decentralization; and pressure to increase the effectiveness of public services and the engagement of users and volunteers in service delivery. The shift to nonprofits especially through contracting also reflects the broad attraction of the “reinventing government” and New Public Management (NPM) reform movements that stress the value of markets and competition, such as contracting and the devolution of administration and control to local communities (Dunleavy, Margetts, Bastow, & Tinkler, 2006; Hood, 1991; Kettl, 2005; Lynn, 1998; Osborne & Gaebler, 1992).

As government’s dependence on nonprofits for public services, usually through contracts, has increased, government officials have steadily increased their accountability demands for nonprofits, especially through greater regulation and performance-based contracting (Behn & Kant, 1999; Considine & Lewis, 2003; Forsythe, 2001; Lyons, in press; Smith, 2009; Smith & Grinker, 2004; Smith & Smyth, in press). Expectations for information and greater transparency in programmatic and financial operations are also on the rise at both the state and federal levels (Ingram, 2009). In addition, many leading associations representing nonprofit organizations have called for greater levels of self-regulation, including better governance procedures (Maryland Association of Nonprofits, 2009; Panel on the Nonprofit Sector, 2007).

Significantly, the current economic crisis has exposed the vulnerabilities of nonprofits and their challenges in meeting performance and accountability goals of government. Many nonprofits are small and undercapitalized, with modest sized boards and uncertain revenue sources. Many organizations depend heavily on an influential leader (or small group of supporters) and lack broad-based community and political support. Increasingly, public and private funders worry that nonprofits provide overlapping services, leading to unnecessary costs and difficulties in coordinating and integrating services on behalf of users and citizens.

Hence, the challenge for public managers, especially in social and health services, is how to achieve the promise of nonprofits amidst a trying organizational and fiscal environment, particularly for smaller, community-based nonprofits? This essay is an exploration of this public management dilemma. A key argument of this essay is that the rise of nonprofits should force public and nonprofit managers to integrate two different strands of public management that, with some exceptions, are often conceptualized quite separately: performance management and citizen participation and engagement. Public managers now require nonprofit contract agencies to meet performance targets before they receive reimbursement but generally do not require nonprofits to meet specific expectations on user and community involvement. As the following pages detail, greater attention to citizen
participation within nonprofits can actually enhance performance and long-term sustainability.

This article proceeds in the following format. First, I will detail the growth of nonprofits and their role in public service delivery. Subsequently, I will discuss the performance management perspective and contrast this approach with a perspective that emphasizes citizen and community engagement. Then, I will offer illustrative examples of ways in which a broad approach to citizenship and citizen engagement can further the goals of public and nonprofit managers interested in effectiveness and efficiency and nonprofit managers as well as sustainability, good governance, and accountability. In short, the promise of innovation and performance by nonprofits can be realized and sustained only by close attention to community and citizenship broadly defined. Yet an emphasis on community without attention to performance can be contrary to quality programs and good governance as well.

The Rise of Nonprofits in Public Services

Nonprofits are an integral part of the American experience and their prominent role in addressing social problems dates to the colonial period. Indeed, many early nonprofits, including hospitals and universities received public subsidies to provide valued public services such as helping the poor (Hall, 1987; Hammack, 2004; Smith & Lipsky, 1993). But this devolved system of public services was very restricted, with quite limited public and private funding and services focused on the most economically disadvantaged or special populations, such as the seriously mentally ill. In the late 19th and early 20th century, a flurry of new nonprofits were established, including many well-known national organizations, such as the YMCA, YWCA, Goodwill Industries, Lutheran Social Services, the Salvation Army, and the American Red Cross (Crenson, 1998; Winston, 1999) and local neighborhood organizations such as settlement houses (Fabricant & Fisher, 2002). The Depression led to the rapid expansion of public funding of nonprofits out of economic necessity and desperation; however, most of this funding was temporary and had largely disappeared by World War II. Thus, in the late 1940s and 1950s, the place of nonprofits within public service delivery still remained relatively limited. Indeed, the most prominent nonprofits in local communities, such as the Boys and Girls Club, YMCA and YWCA, and the Salvation Army were largely dependent on private funds (including the United Way) and fees.

The relationship of nonprofits to the public sector changed dramatically in the 1960s. The federal War on Poverty created a host of new social and health programs that depended on mostly new nonprofit organizations for their implementation. Community action agencies, community mental health centers, neighborhood health centers, and drug and alcohol treatment programs are just a few examples of the changed organizational landscape of public services because most of these new organizations were nonprofit agencies funded through government contracts (Smith & Lipsky, 1993).

Federal funding and oversight of nonprofits and their new service role continued to increase throughout the 1970s but then was restructured during the Reagan administration through funding cutbacks and administrative devolution in key federal social and health programs (Gutowski & Koshel, 1982). Over time, though, federal funding rose
again as a result of new federal grant programs in areas such as child welfare and drug treatment and an expanded role for Medicaid in the financing of many nonprofit community programs, especially for the mentally ill and developmentally disabled. Welfare reform legislation in 1996 shifted government support for the poor away from a heavy reliance on cash assistance to various support services, including workforce training, child care, and counseling with time-limited, supplemental cash assistance (Allard, 2008). The infusion of new public funding in the aftermath of welfare reform initially supported nonprofit program expansion and the establishment of new nonprofit programs. More recently, the widespread attention of the Bush administration to faith-based organizations led to increased direct and indirect support for faith-based organizations, although some of the support was quite ephemeral (Smith, Bartkowski, & Grettenberger, 2006).

Specific figures on the extent of the current public funding of nonprofits are difficult to obtain. Federal funding for nonprofit programs, such as child welfare or community care is typically given to state and local governments on a formula basis and then regranted and subcontracted to nonprofits. Some programs such as Medicaid are linked to clients and thus difficult to track to a specific organization. Moreover, nonprofit reporting forms such as the IRS 990 form tend to underreport many forms of government support especially fee-based income from programs such as Medicaid, Medicare, and cash assistance such as Supplemental Security Income (SSI). Nonetheless, it is possible to estimate the reliance of nonprofits on government support in various service categories. For instance, nonprofit agencies providing community care for the mentally ill tend to be very dependent on government support whereas emergency assistance programs such as soup kitchens tend to have a greater mix of public and private funds (NCCS, 2009b).

Until the financial crisis of 2008, government support for nonprofits to provide public services had steadily risen during the past 15 years, especially in service categories, such as community care, foster care, workforce development, and mental health. Since 2008, the fiscal problems of state and local governments have led to sometimes dramatic cutbacks in funding to nonprofit service agencies. Some states have even cut current contracts substantially. These revenue problems have then been exacerbated by the sharp decline in foundation assets, which has in turn reduced foundation giving to nonprofits. Individual donors have also been affected by the market downturn. Given the difficulties of obtaining private donations, many nonprofits have responded to public cutbacks by reducing services through a variety of means, including staff layoffs, limiting access, referring clients elsewhere, and decreasing the number of service units. The federal stimulus money may help some nonprofits restore service cutbacks, but it is likely to help a relatively modest percentage of nonprofits providing public services. Similarly, federal funding through the Serve America Act of 2009 will assist many nonprofits with their staff and volunteer needs but it tends to be temporary and a less than complete substitute for funding declines.

Despite these serious funding problems, nonprofits remain central to service delivery. Throughout the country, many municipal and state agencies depend almost entirely on nonprofit contract agencies to provide valued public services through contracts. Indeed, the budget crisis of state and local government is likely to increase the interest of state and local policy makers in contracting with nonprofits as a strategy to save money and improve the effectiveness of services.
The fiscal crisis has also intensified the interest of many government officials at all levels of government in performance management as it pertains to services provided by nonprofits. Many foundations and local United Way chapters have reinforced this trend by their own performance management expectations, especially the use of logic models and outcome evaluation (see Annie E. Casey Foundation, 2009; Edna McConnell Clark Foundation, 2009; Hatry, 2006; Kellogg Foundation, 2004; Letts, Ryan, & Grossman, 1999).

Arguably then, we are at an intersection in public management between the desire for greater performance, especially through nonprofits, and the fiscal crisis that has exposed the revenue and capacity problems of many nonprofits (and their lack of alternative revenue to government). Thus, it is especially worthwhile to revisit the underlying assumptions and models of performance management as they apply to nonprofits and their relationship to citizen engagement and governance.

Nonprofit Organizations and Performance Management

Arguably, the stance of policy makers toward nonprofit agencies providing public services was characterized for decades by a policy of self-regulation, whereupon the staff and boards of nonprofit organizations were expected to police their organizations and be accountable to the public for their tax exemption. Government tended to exercise relatively little oversight of nonprofits, even in circumstances where nonprofits such as Catholic Charities provided various social welfare services with public funding. Indeed, many nonprofit agencies regarded themselves as strictly separate from government and thus not directly accountable to it, especially because most nonprofit agencies were primarily dependent on private philanthropic funds and private fees.

The shift in government’s approach to performance and accountability started to change in the 1960s with the sharp rise in government funding. Government contract funds typically required compliance with programmatic and budgetary rules and regulations, although the emphasis of these regulations was on “process accountability” rather than outcome evaluation; thus nonprofit agencies were expected to document the details of service provision but scant attempt was made to evaluate the ultimate impact on clients, such as whether or not an agency was successful in training low-income individuals for permanent employment, although many skilled administrators and staff understood which programs were more effective than others. In a sense, the initial wave of contracts between government and nonprofit agencies for programs such as community mental health tended to function more like grants rather than formal contracts with specific outcome objectives.

Over time, government administrators moved to exert greater control over the operations of nonprofit agencies providing services with government funds, especially as the amount of public funds flowing to nonprofits continued to increase during the 1970s and 1980s. This shift meant in practice a move away from grants and to more formal contracts, including performance contracts. The early “performance contracts” date to the late 1970s and early 1980s and were pioneered in mental health services. For instance, a persistent problem in mental health care at the time was the overuse of institutional services and the corresponding difficulty of serving individuals in the community. Thus, state mental health agencies restructured contracts between state agencies and local community mental health centers to provide financial incentives for these centers to strive to keep individuals with mental illness...
in community settings (Miller & Wilson, 1981). Importantly, these performance contracts in mental health were an effort to improve performance regardless of the sectoral identity of the responsible service agency. Consequently, many states such as Texas and Ohio actually placed their local county or regional mental health authorities on performance contracts with the same type of financial incentives for reaching the desired community mental health objectives (Hadley, Wilcox, Rossman, & Nazar, 1983; Miller & Rago, 1988; Taube & Goldman, 1989). The presumption was these local authorities would in turn pass along the same financial incentives to their contract agencies.

The challenges of this early performance contracting were numerous, including the inability of local authorities and contract agencies to accurately track their client outcomes, particularly in this pre-Internet, Web era. Nonetheless, the theme of performance contracting strategies was set: It should apply to outcomes and the delivery vehicle was presumed to be irrelevant for special consideration. Nonprofit, for-profit, and public organizations would all be held to the same standard. This basic approach was evident, for instance, in the performance contracts through the federal Job Training and Partnership Act (JTPA) established in 1982 (General Accounting Office, 1994). Basically, these contracts were designed to provide financial incentives for public, nonprofit, and for-profit contract agencies to place disadvantaged workers in permanent jobs.

Since the mid-1990s, performance contracting involving nonprofits providing public services has exploded for several reasons. The “reinventing government” movement sparked much greater interest in improving the performance of public services (Osborne & Gaebler, 1992). Moreover, this movement and the related NPM encouraged policy makers to adopt more market-based strategies for addressing public problems such as contracting with private nonprofit and for-profit agencies (Behn, 2001; Behn & Kant, 1999; Hood, 1991; Lynn 1998). In addition, the welfare reform legislation of 1996 created the Transitional Assistance for Needy Families (TANF) program, replacing the long-standing Aid to Dependent Families and Children (AFDC) program. A central component of the new TANF program was performance-based contracts to encourage service providers to place individuals in permanent employment quickly. These contracts were also part of a broader strategy embodied by TANF to reduce the role of cash assistance in helping low-income individuals; social services delivered extensively by nonprofit and for-profit agencies through performance contracts were designed to help individuals who might have previously relied on cash assistance to obtain employment and/or learn new skills to prepare themselves for the labor market (see Allard, 2008; Heinrich & Choi, 2007; Sanger, 2003; Van Slyke, 2003). Over time, performance contracting spread to a wide variety of service fields in the United States and elsewhere. New York City, for instance, has restructured hundreds of millions of dollars of contracts with social and health agencies as performance contracts (Smith, 2009; Smith & Grinker, 2004). Some state governments have “privatized” at least some of their child welfare services by shifting public services provided by state or county staff to performance-based contracts with nonprofits, with the goal of improving the efficiency and effectiveness of child welfare services (Courtney, 2000).

The benefits and disadvantages of performance contracts have been extensively discussed in recent years (see Blalock & Barnow, 2004; Heinrich & Barnow, 2008; Heinrich and Marschke, 2008). The purpose of this article is not to delve into the details of performance contracts but to call attention to the emphasis on outcomes, as opposed to the organizational
delivery vehicle whether it is nonprofit, public, or for-profit. Within the performance management strategy movement, other strategies have been employed that strive to be more nonprofit-centric. These strategies include benchmarking, logic models, balanced scorecards, and social return on investment (SROI).

Benchmarking entails an effort to compare a specific nonprofit organization (or set of agencies) with other comparable organizations. It has its roots in the for-profit management world where companies are often compared on various measures, including profitability (Hatry, 2006; Letts et al., 1999). The attraction of benchmarking is that it offers nonprofits a mechanism for them to assay their organizations, including administrative costs, the efficiency of their fund-raising operations, and number of members in comparison with other organizations with similar missions and profiles. Outcome evaluation is also very complicated so benchmarking offers a strategy for program improvement and greater accountability, even in the absence of specific outcome data that are often lacking for many nonprofit programs.

In recent years, countless nonprofit agencies have used benchmarking even in relatively limited circumstances. But benchmarking also tends to be most helpful with easy to obtain information such as number of administrators, membership levels, and the amount of donations. More complex and elusive measures related to governance and community engagement are much more difficult to compare across organizations for logistical and practical reasons. And, many nonprofit staff rightly argue that issues such as governance are less susceptible to comparison, given the sometimes dramatic differences in the social, economic, and political context of many local nonprofits.

Another performance management strategy embraced by many nonprofits is the balanced scorecard, developed by Robert Kaplan (2002) and colleagues at the Harvard Business School. The balanced scorecard is intended to counter the criticism from within the nonprofit sector that the application of certain types of performance management strategies borrowed from the for-profit sector do not sufficiently account for the social mission and values of many nonprofits. The balanced scorecard then is a strategic-planning tool that seeks to integrate financial, programmatic, operational, and mission-related objectives, so a nonprofit agency can strive to create a more efficient and effective organization while at the same time remaining faithful to its mission.

The balanced scorecard does involve a significant investment by a nonprofit organization because of its substantial data requirements and the need for extensive consultation among the different stakeholders of a nonprofit, including the board, staff, clients, community members, and funders. As a result, the balanced scorecard tends to be embraced by larger nonprofit (and public) organizations eager to drive substantial change in their operations (see, e.g., Koch, 2005). The balanced scorecard is also particularly worthwhile for organizations that seek to rethink or improve their relationship with their users, such as parents in a family-service agency or patients in the case of a hospital. In this sense, the balanced scorecard reflects the enhanced primacy placed on responsiveness to customers in all types of organizations. However, despite its holistic approach to organizational strategy, the balanced scorecard tends to focus on measurable indicators of costs and program utilization and thus is not widely used to consider the citizenship and community-building role of nonprofits although it potentially could be used to address these issues. Also, the measurement of program impact through the balanced scorecard approach remains
challenging given the difficulty of obtaining relevant outcome data because of the expense and the long-term effects of many nonprofit programs.

Another performance management approach with much greater utilization among nonprofits is a logic model. Indeed, many public and private funders now require nonprofit grant and contract applicants to develop a logic model as part of their grant application. Basically, logic models are a performance strategy that forces nonprofits to map the entire “production process” for their programs, from the initial inputs such as staff and resources to the long-term outcomes (Hatry, 2006; Kellogg Foundation, 2004). In so doing, logic models hold the promise of focusing nonprofits on better performance and the resource and infrastructure ingredients of high performance even if they do not have the information on their ultimate long-term outcomes. For funders, logic models offer an opportunity to hold nonprofits accountable for the implementation of their programs. Thus, funders could sanction a nonprofit that fell short of its intended service delivery model after a contract or grant was awarded.

Logic models have certainly caught the attention of nonprofits nationwide. Arguably their greatest value is on the “front-end” of service implementation. Ideally, the process of creating a logic model should engage a broad spectrum of a nonprofit agency’s staff and volunteers in thinking about impact and outcomes. This extensive involvement should then help with the refinement of strategy and helping nonprofits executives to win the support of agency stakeholders for program goals and direction. However, the goal of logic models as a strategy to drive better outcomes and help funders select the most effective agencies for funding remains quite problematic. Furthermore, logic models tend to focus on programmatic performance and generally do not engage the agency in thinking about governance or citizen–agency relationships.

One other performance strategy designed with nonprofits and their difficult-to-evaluate programs in mind is the SROI. This strategy was pioneered by Jed Emerson and colleagues at the Roberts Foundation in San Francisco who envisioned SROI as a vehicle for assessing the social value of nonprofit programs (Emerson, Wachowicz, & Chun, 2000). Too often, nonprofit programs, especially social service programs, are evaluated quite narrowly and thus may not appear to demonstrate significant value for the community. SROI is designed to overcome this problem through a more inclusive approach to thinking about costs and benefits that consider the savings to society of nonprofit services. For example, a person’s employment because of job training and placement by a nonprofit would produce long-term savings (i.e., benefits) for society that should be considered when evaluating the impact of a nonprofit program (Javits, 2008; Tuan, 2008).

Similar to other performance management initiatives, SROI focuses on programmatic impact rather than governance and community benefits such as citizen engagement. SROI is also quite complicated in practice so its adoption within the nonprofit sector has been quite limited, although the conceptual framework employed in SROI has encouraged funders and nonprofits to approach social impact more inclusively and to be rigorous and data-driven in thinking about costs and benefits. SROI has also spawned other efforts to think broadly about the social value of nonprofits (Tuan, 2008).

One other very important stream of thought in the push for performance and accountability in nonprofits has originated with policy makers at the federal, state, and local level who have been increasingly concerned that nonprofit organizations—especially hospitals
and other health care organizations—are not providing sufficient care to the poor and dis-advantaged to justify their tax exempt status (see Schlesinger & Gray, 2006). This perspec-
tive on nonprofits is rooted in a view that nonprofits and for-profit organizations in health
care do not differ substantially in the number of poor people served or the overall quality
of service or at the very least the results of comparisons between nonprofit and for-profit
health care organizations are mixed in terms of performance on measures such as levels of
charity care, waiting times, or patient satisfaction (see Schlesinger, Mitchell, & Gray, 2004;
Weisbrod, 1988).

Overall, this discourse on the comparative differences between nonprofit and for-profits
has been dominated by an underlying assumption that the contributions of nonprofits should
be understood as a transaction between government and nonprofits or a donor and nonprof-
its. In the former, government essentially grants nonprofits exemption from taxes and in
exchange, nonprofits are expected to provide a level of public services (especially services
to the poor) that would be in excess of the value of the foregone revenue. Regarding the
latter, the donor essentially purchases a public good (e.g., humanitarian assistance or foster
care) from a nonprofit organization. As articulated by Henry Hansmann (1980), the donor in
this case is more likely to trust a nonprofit organization to provide these public good–type
services because of the nonprofit distribution constraint, which prohibits the staff and vol-
unteers of nonprofit organizations from distributing any surplus or profit earned by the
organization to the owners, including the board and the staff. Nonprofits then have an incen-
tive to use any donated money for its intended purpose (such as humanitarian relief), rather
than personal financial enrichment.

Thus, the debate among policy makers and scholars on the role of nonprofits versus for-
profits in providing public services is similar conceptually to performance contracting; in
both instances, government or private donors are approaching nonprofits as service provid-
ers rather than organizational vehicles for community and citizen representation. Reflecting
the predominance of this assumption among policy makers and many private funders such
as the United Way, performance management has been embraced by public and private
funders to improve the effectiveness and efficiency of nonprofit programs. Nonprofits have
responded by greater attention to outcomes and more investment in data collection and
capacity building, albeit to varying extents. Despite the current budget crisis, nonprofits
have retained their focus on increased performance and accountability, due in part to con-
tract requirements and the competition for public and private funds. However, the budget
crisis has created great uncertainty for nonprofits and forced some programs to reduce service
in order to maintain the quality of the remaining services (see Krauskopf, Blum, Litwin,
Hughes, & Browne, 2009). This uncertainty has also greatly complicated the efforts of
many nonprofits to invest in improvements in their infrastructure.

Overall, the varied performance management strategies in common use with nonprofit
organizations tend to minimize attention to internal management and governance as well
as the external relations in favor of a focus on impact and the relevant costs and benefits.
As the next section details, a parallel set of literatures exists that focus on governance, com-
community building, and citizen participation as the social value of nonprofits.
Nonprofits and Citizen Engagement: The Challenge for Public and Nonprofit Management

Nonprofits hold many attractions as sites for citizen engagement in public affairs and public services. In the United States, public policy makes it easy and straightforward for citizens to organize a nonprofit public charity or 501(c)(3) organization: The costs are low and the organizing group does not need substantial resources or budget, permitting relatively quick start-up. Furthermore, the boards of directors are volunteer, thus the assumption is that individuals are public-spirited with the overall goals of the organization paramount. Many nonprofits have roots in their communities and many members and supporters, so they hold the possibility of building community and serving as representatives of different citizen interests.

The opportunity for citizen participation through nonprofits has been regarded by some commentators dating back to de Tocqueville (1835/1969) to be a distinctive feature of American politics and society. In recent decades, the centrality of nonprofit organizations in American politics was reflected in scholarship on interest groups by many political scientists (Berry, 1977; Dahl, 1956; Salisbury, 1990; Walker, 1991). Yet this research on interest groups and associations was typically quite separate from concerns about public service delivery (such as performance and accountability). This separation reflects in part the character of interest groups that usually represent citizens concerned about a particular issue or representing a particular industry, group, or cause. The American Association of Retired Persons (AARP) and the National Association of Manufacturers are good examples. With some exceptions such as public employee unions, interest groups do not represent individuals or organizations involved in significant public service delivery.

The intersection of nonprofits—as representatives of citizen interests—and public service delivery developed in earnest in the 1960s with the creation of key War on Poverty programs such as community action agencies and neighborhood health centers, which were envisioned by many policy makers as vehicles for citizen participation in the governance and implementation of needed local services. Although these programs were filled with many competing goals, they did share a vision that direct citizen engagement in the governance of local community organizations and institutions would produce services more appropriate for local needs and with greater equity (Altshuler, 1970; Marris & Rein, 1982; Morone, 1990). Community action agencies, for example, required that a majority of the nonprofit’s board be comprised of community members.

Although community action agencies continue to this day, many agencies have struggled to effectively engage citizens and their local communities, especially disadvantaged people in the development and implementation of local services. Many agencies became embroiled in local politics and were actively opposed by powerful political interests at the local level (Pressman, 1975). They were also heavily criticized from many different perspectives as fundamentally flawed in terms of their underlying assumptions (Marris & Rein, 1982; Moynihan, 1969). More generally, the problems experienced by community action agencies and other federal social programs contributed to a widely shared view that policy implementation was inherently difficult, complicated, and likely to lead to unforeseen largely negative consequences (deLeon & deLeon, 2002; Pressman & Wildavsky, 1979), although Browning, Marshall, and Tabb (1982) concluded that the federal social...
programs, including community action agencies provided an avenue for many African American leaders to successfully enter local politics. Because the federal social programs of the 1960s were not performance oriented, their implementation problems also contributed to more attention to program evaluation and policy analysis of important public programs. Indeed, over time, community action agencies moved away from participation as a primary objective and instead emphasized their services to the community, such as Headstart, although some of the participatory aspects of their original program model such as community representation on the board remain.

The representative function of community agencies has enjoyed renewed interest in the past 20 years. John P. Kretzmann and John L. McKnight (1993) argued in their influential book, *Building Communities From the Inside Out*, that communities possessed many assets, including local businesses, churches, and neighborhood associations. These assets could be tapped to support the growth and development of the community—a far preferable approach in their view to the “traditional” community development approach that relied on external funding (such as War on Poverty programs). They contended that through engagement in local organizations, communities could thrive and address serious social problems such as poverty and economic decline. Their self-help message contributed to the interest of foundations, local politicians, and government funders in nurturing and supporting local nonprofit organizations or community coalitions. Indeed, their individual and antiprofessional emphasis can be quite contrary to performance management strategies, such as performance contracting where local organizations are forced to meet externally developed performance targets.

The importance of nonprofit organizations as community assets was further articulated by Robert Putnam in his well-known work on social capital. In his book, *Making Democracy Work* (1993) and subsequently in *Bowling Alone* (2000), Putnam argued that voluntary associations provide an opportunity for individuals to develop cooperative social networks—or social capital—that can be the basis for community action, more empowered citizens, safer neighborhoods, and higher levels of economic development. In *Bowling Alone* in particular, he lamented the decline in participation in long-standing voluntary organizations, such as Parent Teacher Associations (PTAs), the Girl Scouts, the Elks, the Rotary, and other so-called fraternal associations that provided an organizational outlet for decades for individuals to come together in their communities.

Putnam’s research on social capital and the extensive resultant discussion among scholars and policy makers highlighted and underscored the nonservice aspect of nonprofit organizations. To Putnam, the enduring value of nonprofits to their communities was their role in promoting and supporting citizen engagement, membership in community organizations, practice in local leadership, exchanging information with fellow citizens, and social and professional networking. In this sense, the performance of nonprofit organizations in terms of their achievement of specific outcome goals was a decidedly secondary consideration. Of course, Putnam is interested in organizational performance but his basic approach is that effectiveness and sustainability of community organizations is related substantially to their levels of social capital: Organizations with higher levels of trust will be quicker to respond to internal and external challenges; outside funders are more likely to give grants and contracts, and citizens are more likely to be satisfied with these organizations (and their government) (see Putnam & Feldstein, 2003).
The value of voluntary organizations as sites of citizen engagement and participation was echoed by Theda Skocpol (2003), whose detailed research on large federated national nonprofit organizations, such as the American Red Cross and the YMCA led her to conclude that national organizations at one time had played a key role in mobilizing citizens and fostering political participation and community engagement. To her, many national nonprofit organizations lost their membership and community focus as they professionalized and placed greater emphasis on fund-raising from individuals and foundations. The resultant loss of citizen participation weakened the representative role of these organizations and played a major contributing role to the decline in political and citizen engagement in the United States.

By implication, the research of Putnam (1993, 2000) and Skocpol (2003) suggests that the big increase in nonprofit service agencies (which typically lack formal membership) has inadvertently created major obstacles to citizen engagement because the community “space” previously occupied by membership organizations is now populated with service agencies. To be sure, many of these service agencies initially began their organizational lives as informal community groups with deep engagement by local citizens. Indeed, many of these groups were structured to emphasize participation and collective decision making. However, the formalization of these organizations through legal status and then increasing professionalization—due in part to performance management strategies such as performance contracting—tends to channel citizen participation into board governance. But board members of nonprofit service agencies typically work to support the agency and its programs, especially for service organizations dependent on government contracts, such as workforce development or foster care agencies. It is very difficult for board members to engage in issues of interest to the community that are unrelated to the direct services of the agency. Moreover, advocacy by board members on behalf of the agency is often quite limited because of time and resource constraints and concerns on the appropriate legal boundaries of agency advocacy (Berry, 2003; Smith & Lipsky, 1993).

As noted by Carmen Sirianni (2009), Jim Diers (2004), Berry, Portney, and Thomsen (1993), and Thomas (1986), some types of nonprofits organizations such as neighborhood associations and community coalitions have been successful in engaging citizens. These associations and coalitions are often membership organizations and where successful have been actively supported by local government. However, they are usually not directly delivering public services, especially higher priority services such as foster care and welfare-to-work. And, these organizations are typically not subject to performance management and the higher levels of accountability expected of agencies providing government-contracted services.

Neighborhood associations are not unlike many nonprofit service agencies that start as a committed group of individuals, dedicated to being responsive to their “community of interest” (Smith & Lipsky, 1993). A group of neighborhood activists might start an intervention program for at-risk in their community with small in-kind and cash donations; their entire focus is on service to the local community. Often, these activists are not providing a highly professionalized service and their measures of success tend to fit with their understanding of their mission and the community’s needs. Over time, these informal groups may obtain government grants or contracts whereupon the expectations of government may be at variance with the focus of these nonprofit service organizations on their community of interest (Smith & Lipsky, 1993). This mismatch can be especially severe in circumstances of performance contracting when the performance measures may be imposed with little input from...
the nonprofit organization. Furthermore, performance contracting regimes may be structured in a way that makes it difficult for nonprofit organizations to provide services in a way compatible with their original understanding of their mission.

Moreover, the governance of these nonprofit organizations may lack the capacity to appropriately and effectively respond to government or foundation expectations on performance. The boards of directors of community-based nonprofit service organizations are typically recruited for their passion and support for the mission of the organization. But board members are often not well-versed in the intricacies of government contracting and performance management. This situation then hampers the board’s ability to govern the agency and develop effective strategic goals and plans for the agency that adequately address the accountability expectations of government and private funders.

Because the board is a vehicle for citizen engagement in nonprofit organizations, the challenges and obstacles to effective board governance—amidst the current emphasis on performance—reflect the tendency of performance management approaches to focus on services, including staff–client interactions, program activities, and intended impact on clients and users. Concomitantly, a relative lack of emphasis on governance, citizen and user engagement, political and social citizenship, and community input exists. To be sure, government and foundations have devoted hundreds of millions of dollars to building and supporting the infrastructure and capacity of nonprofit organizations, especially in the past 15 years. This support has taken more forms. It has included technical assistance on important issues, such as board governance, financial management, grant writing, contracting requirements and expectations, and performance measurement. University-based education and training programs for nonprofit managers have proliferated, sometimes in collaboration with local public and private funders. Countless consulting firms exist to support local nonprofits with at least some of the efforts of these firms financed through local funders. Overall, these very diverse efforts have arguably helped many nonprofits improve their capacity to comply with performance management strategies such as performance contracting or to implement logic models. However, capacity building and infrastructure support has generally had little impact on the content of performance management: The focus on programmatic targets remain, although the agency’s ability to collect the appropriate data, effectively compete for contracts, monitor programs, and submit timely reimbursement requests is improved.

Put another way, capacity building and more broadly technical assistance has enhanced the capability of many nonprofits to meet the performance expectations of public and private funders and government regulators. But it has not fundamentally altered the emphasis of performance management on narrow targets (performance contracting) or short- and long-term client outcomes (logic models and SROI); social capital building, citizen engagement and participation tend to be regarded by implication as worthy but ancillary activities of nonprofits and certainly not the primary purpose of nonprofit organizations or the principal rationale for government or foundation funding.

Reconciling Performance Management and Community and Citizen Engagement

The divide between performance management on the one hand and the value of nonprofits as organizational supports and assets for political and social citizenship can be
bridged but it requires a rethinking of the current approach to performance management, especially various performance contracting arrangements and the use of logic models by public and private funders. More broadly, it requires a more holistic understanding of the value of nonprofits and their contributions to local communities.

One approach to thinking of community impact is exemplified in the ongoing research and discussion on the “community benefits” of nonprofit hospitals and health maintenance organizations (HMOs), especially as compared with their for-profit counterparts. The research reflects in part the intense interest of policy makers at all levels of government on the role of nonprofit hospitals, especially given the large size of many hospitals with their multiple divisions, subsidiaries, and locations. Many hospitals are very entrepreneurial and actively compete with for-profit and other nonprofit hospitals for patients and qualified personnel. Often, the policy debate on the merits of nonprofit hospitals focuses on quantifiable measures of their services. For example, the minority staff of the Senate Finance Committee proposed in 2007 that nonprofit hospitals, as a condition of their federal tax exemption, be required to devote at least 5% of their expenditures to charity care, defined quite narrowly to exclude other types of charitable activities and bad debt (Gray & Schlesinger, 2009). At the state level, several states have enacted legislation with a similar intent, establishing a charity care threshold, usually through a quantifiable measure based on the hospital’s budget.

However, as noted by Gray and Schlesinger (2009), the community benefit spending of nonprofit hospitals is substantially broader than the narrow focus on specific levels of charity care. The broader array of community benefit spending can include mission-related services such as home care or hospice care, and community-building activities such as partnerships with the local schools, local economic development, and sponsorship of charity events such as walk-a-thons. Community benefit can also include health education and promotion activities.

The broader framework for evaluating community benefit for nonprofit hospitals, articulated by Gray and Schlesinger (2009) points toward the need to think about the relationship between nonprofit organizations, their users, and their communities when evaluating social value and impact (see also, Schlesinger & Gray, 1998; Schlesinger, Mitchell, & Gray, 2003). Nonetheless, their focus is on spending and services and the recipients of services, including patients and their families and the broader community. As such, their framework does not directly engage governance and community and user participation in nonprofit organizations or the social capital role of nonprofit organizations (except to the extent that various community-building activities promote the development of cooperative social networks).

The path to reconciling performance management with citizen engagement and participation lies in part with recognizing that performance and accountability in nonprofit service organizations can be enhanced through citizen engagement, even if it is sometimes an elusive quality to measure and evaluate. Consequently, policy makers and nonprofit staff and volunteers could usefully rethink their governance structure to promote greater citizen and community participation. As noted, many nonprofit social and health agencies were initially started as informal groups with a relatively small organizing committee. Once incorporated, these now formal organizations tend to keep a small board that is elected by the board (a so-called self-perpetuating board), rather than a membership-elected board that is
typical of other types of community organizations, such as neighborhood associations. Yet the limited number of board members and the lack of membership means that the boards of nonprofit community organizations are prone to burnout, inattention to key strategic issues and accountability, and a generalized reluctance (due in part to resource and organizational constraints) to embark on more collaborative, integrated, or regional approaches to service delivery.

Policy makers, government administrators, and foundation program officers are then in difficult dilemma: A focus on performance targets will inevitably reorient the nonprofit agency to specific goals; however, without attention to key governance issues, the nonprofit service agency is unlikely to be able to achieve or sustain effective and efficient performance. Thus, policy makers should approach performance management more expansively and integrate expectations on governance and relationship to the community and clients into a performance management strategy.

Substantial evidence exists to suggest that this more comprehensive strategy to performance that specifically incorporates governance and community engagement concerns would be helpful in improving performance. Several scholars have noted that nonprofit organizations with extensive community ties including relationships outside of their own immediate neighborhoods and jurisdictions tend to be more effective. For example, Jane Jacobs (1961) concluded that neighborhood organizations with linkages to other neighborhoods and political leaders were much more effective in advocating for their own programmatic goals (and by implication more sustainable organizations with broader community support). Putnam’s (1993, 2000) work on social capital building suggests that organizations with “bridging” social capital that connect individuals from different backgrounds and circumstances can be very helpful in mobilizing community members. The opportunity to build bridging social capital can also be an essential function of nonprofit organizations at the local level (Putnam, 1993, 2000). More recently, Nicole Marwell (2004, 2007) investigated community organizations in Brooklyn, New York and their roles as political actors. She concluded that community organizations could be divided into two categories based on their services: nonreciprocal and reciprocal. The agencies whose services were nonreciprocal provided services such as job training for which there was no expectation of a commitment by the individual user or community member to participate in the activities of the organization. Reciprocal agencies provide services but deliberately strive to build relationships with their clients. This community building promoted a bonding between clients with the community agency, helping in some cases to achieve better outcomes for clients. For example, a low-income housing organization with a strong relationship with its tenants and its community had better security and improved tenant care of the facilities. The broader political support for agencies providing reciprocal services also can be very helpful in obtaining grants, contracts, and donations.

In essence, Marwell’s (2004, 2007) work points to the need to reconceptualize citizenship (and our understanding of performance) as it pertains to nonprofit community agencies. The British sociologist, T. H. Marshall (1964), observed more than 50 years ago that citizenship rights could be divided into three different categories: civil, political, and social. Marshall argued that in most advanced industrial countries, civil rights, such as the right to own property and freedom of speech were usually the first right to be enacted, followed by political rights, such as the secret ballot and the right to vote. With civil and political rights in place,
many countries extended social rights to the citizenry in the form of welfare state programs, such as unemployment insurance, child care, and workforce training. Marshall’s framework has been very influential in scholarly understanding of the welfare state, but the linkages between the different types of rights has remained underdeveloped, especially as it pertains to political and social rights and the role of nonprofit organizations within the welfare state. Consequently, the way in which clients and citizens obtain access to services, their role in the governance of community organizations, and the way in which the citizen’s relationship to these agencies can be affected by prevailing public policies (including performance management strategies) remains a vitally important but relatively unaddressed question (see Rummery, 2006).

In part, the lack of attention to these linkages between political and social rights reflects an implicit assumption that the delegation of responsibilities for public services to nonprofit organizations either directly through government contracts or by default through funding cuts to public programs means that clients, citizens, and communities are involved in governance and ongoing engagement in agency affairs (Lowndes & Sullivan, 2004; Rummery, 2006). However, as noted, many community organizations are organized initially by a small group of passionate individuals concerned about a social problem. But these organizations as they evolve may not be well-linked to their community, especially because many nonprofit service agencies are not membership-based organizations. Active engagement of users in agency governance or operations tends to be rare among nonprofit organizations providing public services, unless mandated by law (e.g., community action agencies or neighborhood health centers). Instead, nonprofit organizations with the most active user involvement tend to be self-help and/or advocacy organizations such as the National Alliance on Mental Illness (NAMI).

Moreover, evidence suggests that government contracts can further distance an agency from its users and community. Contracts create a connection between the agency and government administrators; thus the agency naturally tends to focus on the preservation of funding levels and the possibility of additional contracts. Advocacy on behalf of the agency tends to be directed toward goals that are specific to agency funding and regulations rather than more general social policy issues or specific concerns related to users (such as improved housing or better access to accessible transportation; Smith & Lipsky, 1993). And performance contracts with specific targets tend to push the agency even further away from more general concerns related to users and community members.

Countertrends related to participation certainly exist. For instance, the current wave of cutbacks affecting nonprofit organizations has forced many agencies to seek donations and political support from their communities. Relatedly, many agencies are much more active in seeking political support to restore lost funding, protect existing contracts, or obtain new contracts. The widespread interest in earned income activities and corporate partnerships has pushed nonprofits to create new opportunities for the community to support the agency financially. Thus, the special event dinners for the local agency for the homeless are a way of engaging the local citizenry through financial support and at least a subset of these individuals will then be engaged in the agency through volunteering on an ongoing or periodic basis. In addition, organizational growth has pushed greater structural complexity including ad hoc and advisory committees for specific purposes, such as fund-raising or strategic planning. Consequently, larger agencies may have more structural opportunities
for citizens to participate in the affairs of the agency. Many community agencies operating service programs also have learned out of necessity to be more consultative with the community because they are operating high-profile or sensitive programs (such as community residences of the mentally ill) that require community assent and cooperation. Nonetheless, most of these efforts do not entail active participation in agency governance or advocacy. Instead, it tends to be more transactional whereupon individuals volunteer their time or give financial contributions in support of the agency. Board membership remains restricted and the access of the local community to key information on programs, services, and budgets can be quite limited, beyond the very basic of information.

Furthermore, some agencies, such as community action agencies, have requirements for community participation on the board. But these agencies have been profoundly affected by changing government contract priorities, uncertain budget politics, and narrowly defined performance objectives. Thus, these agencies may have weak community support and engagement, despite board participation. And many of these agencies lack diversified revenue streams and are in financially shaky positions. In short, board representation, in and of itself, does not ensure that the community is engaged in support of the agency on an ongoing basis or in the monitoring of agency performance, especially as it relates to community needs.

Reconciling performance management and citizen engagement and participation in nonprofit service organizations is possible though, despite the pitfalls and obstacles created by existing public policies and management practices. The first step in changing the approach to performance management is a change in mind-set among policy makers and nonprofit staff and volunteers themselves. Too often, policy makers view a contract between government and a nonprofit as shifting the entire risk of meeting programmatic performance targets to the nonprofit, leaving government with little formal responsibility for outcomes. More appropriately though, program effectiveness and sustainability could be greatly enhanced if government approached the relationship with nonprofits as an investment that requires careful and very deliberate attention to the interconnection between performance and community participation. First, government regulators at the federal, state, or local level could build into performance contracts specific expectations on community participation and governance. Specific targets for community representation on the board of directors such as with community action agencies have had a very mixed record (Marris & Rein, 1982; Morone, 1990). Instead, government administrators should encourage agencies to employ an array of participation methods: board representation slots where appropriate, advisory groups comprised of community members to advise the agency on strategic priorities and/or service-related concerns, community input meetings including focus groups, surveys of community members, participation by the nonprofit service agency in other community activities or associations such as the Chamber of Commerce or the Rotary, and greater effort at coproduction in services.

Coproduction is a term that refers to a diverse mix of strategies whereupon the individual client/user or the local community essentially develop and deliver the specific service together (Alford, 2009; Bovaird & Downe, 2009). An example of individual coproduction is the individual service budgets that have become increasingly common in Europe and the United States that allow users such as the developmentally disabled and the mentally ill (and their parents or guardians) to select their programs and service providers. Community coproduction can include collaborative planning for services between the local nonprofit agency
and the community. More elaborate planning can also include government, local businesses, and multiple nonprofit organizations. Coproduction can also involve a broader approach to involvement in the agency. A community member can be on the board but may have little effective role in crafting agency policies. However, coproduction could also entail assuming leadership roles within the agency, including the strategic planning process. Alternatively, some child care agencies have a high level of parental involvement; yet this participation can be broadened to include training parents to assay local parent needs and concerns and helping to design appropriate and effective policies (Lowndes & Sullivan, 2004).

Coproduction and community engagement can be enhanced and deepened by a rethinking of the concept of membership within nonprofit service agencies. Arguably, many nonprofit agencies would benefit in terms of their community engagement and support by creating a membership with powers to elect the board (like many professional associations and churches). Membership would provide a structured vehicle for community participation that would require the agency to consult with the membership (and the community) on an ongoing basis. Of course, membership is not a panacea for the participation or performance problems of nonprofit agencies. Nor is it easily achieved, especially if it is to be meaningful. And it is inappropriate for some community service agencies. Possible alternatives could include advisory committees and formal partnerships with other local organizations.

Although structural changes within nonprofit organizations may facilitate greater participation and help with sustainability and improved performance, government and nonprofit leaders need to recognize that key policy reforms may be essential. For instance, fragmentation in services is a major and growing problem, given the sharp increase in the number of nonprofit service organizations in the past 15 years. In many cities and regions, multiple nonprofit organizations exist to serve a similar client population or jurisdiction, creating coordination problems and taxing the capacity of local citizens who may be asked to participate in multiple meetings and task forces or to join more than one board or advisory committee. Especially in this era of budget scarcity, nonprofit staff and volunteers and government administrators should work to promote greater collaboration and integration among service agencies as well as a more regional approach to the development and implementation of services. This strategy would help improve outcomes for users and likely reduce the cost of service in the long run. It would however take a concerted effort by government and foundation leaders to work together to support this more regional approach instead of acting on their own to support different programs and services.

Effective performance and improved citizen engagement in nonprofits also requires ongoing investments by government and private funders in the human capital within nonprofits and the broader community. This effort has several dimensions. Many community organizations, as they grow, can neglect the development and nurturing of their own leadership and their relationships with external stakeholders. Consistent support for leadership training and development is essential if nonprofits are to avoid succession problems (a particularly common occurrence in nonprofits) and sustain community participation. It can be quite easy to organize citizens to participate in an initial meeting, especially if the community is faced with urgent and serious problems. However, the maintenance of participation and deepening and expanding it over time requires skilled leadership and knowledge among community members on the participation process (Lowndes & Sullivan, 2004). Consequently, practical knowledge on leading a meeting, brokering different and sometimes competing
interests, and working toward common goals is critical. Importantly, government needs to invest in the training and development of its own staff. Administrators who work with nonprofits are often individuals without specialized training in contract monitoring, coalition or community building, or negotiation. But the current era of government contracting with nonprofits requires that government administrators have the necessary skills to support local nonprofits, in order to engage their local communities and achieve maximum performance.

In short, reconciling performance management and citizen engagement is possible but with the ongoing commitment of government and nonprofits to the following:

- the incorporation of governance and community engagement considerations into government contracting requirements and expectations,
- a rethinking of the relationship between nonprofit organizations and their community and their clients,
- new approaches to nonprofit governance that promote citizen participation and engagement, and
- a sustained commitment by government and nonprofits to improving their infrastructure and capacity

Logical next steps would be for government officials to “pilot” this recommended approach with services that are more conducive to citizen or client participation, including workforce development programs, community development and low-income housing programs, services for at-risk youth, and community care for the disabled. These services are primarily provided in local communities by nonprofit service providers. Moreover, these agencies have the potential to have an active, involved user group as well as other interested stakeholders, such as parents, community leaders, and local businesses. Thus these services offer an excellent opportunity to initiate a shift in expectations on governance and citizen engagement within nonprofits. Localities with denser networks of nonprofit organizations would also be good sites for this new approach.

**Concluding Thoughts**

In the past 40 years, we have witnessed a revolution in the delivery of public services, with nonprofit organizations increasingly essential in the provision of health and social care to the citizenry. Public and private funders have responded to this new, more expansive era of mixed public/nonprofit service delivery with heightened attention to performance management, program evaluation, transparency, and accountability. This focus on performance is occurring at a time of virtually unprecedented attention to the capacity of nonprofit community organizations to promote citizen participation and engagement in public policy and public service development and implementation (Fung, 2006; Sirianni, 2009). Importantly, though, the value of citizen participation in nonprofit organizations is not simply in the act of participation, although participation may return significant reward to the individual in terms of learning about the democratic process, the various services offered in his or her community, and networking with professionals and lay people. For public policy and nonprofit organizations, the value also lies in the contributions of participation to performance
and organizational sustainability and effectiveness. Nonprofit service agencies that encourage user and citizen participation will broaden their base of community support, help diversify the pool of candidates for board, staff, and volunteer positions, and stimulate the exchange of information and ideas about service delivery. As many studies suggest, effective organizational performance in the implementation of public services requires inspired leadership and a strong organization. Many nonprofit organizations have until recently benefited from public and private funding that has not required attention to citizen participation and building a vigorous organization with extensive and supportive linkages to users and the community.

This article has offered concrete steps for policy makers and nonprofit leaders to adopt to integrate performance management strategies and citizen engagement. Some measures such as leadership training and development require additional resources. However, many steps require a rethinking of government’s approach to performance management as well as the strategy employed by nonprofits regarding the engagement of users and community members in the governance and implementation of agency services. Inevitably, this rethinking will require government and nonprofits to adopt a longer term perspective to their relationship and move away from short-term contracts and inattention to agency capacity building. More broadly, the centrality of nonprofit organizations to the social and political rights of the citizenry suggests that the adequacy of current methods of participation and engagement by nonprofits should figure prominently in future discussions on performance management and the overall effectiveness of public services provided by nonprofit organizations.

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