

THE RELATIONSHIP BETWEEN LEARNING ORGANIZATION DIMENSIONS AND PERFORMANCE IN THE NONPROFIT SECTOR

John M. Wetherington, DBA, is the Chief Operating and Finance Officer for the International Association for the Study of Lung Cancer.

M. Kenneth Daniels, PhD, is faculty at the University of Phoenix, School of Advanced Study.

The purpose of this quantitative descriptive correlational study was to examine the relationship between the dimensions of the learning organization and several measures of performance. The study included a random sample of chief executive officers of nonprofit organizations in the United States rated by at least two of the three major ratings groups: the American Institute of Philanthropy, the Better Business Bureau Wise Giving Alliance, and Charity Navigator. The study confirmed the relationships found in earlier studies between the dimensions of the learning organizations and financial, knowledge, and mission performance. There were only limited significant relationships found between the ratings from the three ratings groups and the dimensions of the learning organization or other measures of performance studied.



Nonprofit organizations are major contributors to the economy and public well-being (National Council of Nonprofit Associations, 2005). Despite the sector's rapid growth, there are several issues with organizations in the sector meeting their full potential. The performance in the nonprofit sector is characterized as limited by scarce resources, inefficiencies, and the inability to measure performance outcomes (Light, 2000; Niven, 2008). To provide funders and other interested parties with qualitative data, charity-rating organizations are rating nonprofits (Lowell, Trelstad, & Meehan, 2005).

The nonprofit sector's size and impact is substantial, employing 1 out of every 15 Americans and generating \$1.59 trillion in revenue in the U.S. (Lowell, Silverman, & Taliento, 2001; National Center for Charitable Statistics, 2012). Nonprofit organizations typically operate with limited resources, inefficient operations, and limited measures of performance (Light, 2000, 2002, 2005; Niven, 2008). One prescriptive approach to address resource and performance issues is to apply features of learning organizations demonstrated to be linked with improved organizational performance (Ellinger, Ellinger, Yang & Howton, 2002; McHargue, 2003; Perkins, Bess, Cooper, Jones, Armstead, & Speer, 2007).

The study utilized the dimensions of learning organization model developed by Marsick & Watkins (2003) and adapted to nonprofit organizations by McHargue (1999). The dimensions include the ten constructs of continuous learning opportunities, promoting dialogue and inquiry,

promoting collaboration and team learning, development of systems to retain and share information, empowerment of people with a common vision, linking an organization with its environment, and provision for strategic leadership for learning (Marsick & Watkins, 2003). Dimensions also include financial performance and knowledge performance (Marsick & Watkins, 2003). McHargue (1999) added mission performance as a 10th construct.

The Dimensions of Learning Organization Questionnaire (DOLQ) nonprofit version has 65 questions with a 6 point Likert-type scale to collect raw data synthesized into the ten constructs (McHargue, 1999). Three performance measures are constructed from answers to the DOLQ. The financial, knowledge and mission performance measures are based on averages of multiple questions. Financial performance measures such metrics as fiscal health and resource availability. Knowledge performance measures include metrics regarding staff development, improved services, and upgrades to technology. Mission performance measures such issues as the use of resources to provide services, the success of the services, and such outcomes as the number of clients served or services performed. In addition to these measures derived from questionnaire responses, multiple financial statistics were collected indirectly from IRS filings as measures of operational performance.

Third-party ratings include measures from American Institute of Philanthropy (AIP)¹, now known as Charity Watch. The organization rates 600 charities from A (excellent) to F (poor) based on share of funds spent on charitable purposes, the expense to raise \$100 and the presence of excess asset reserves. Better Business Bureau (BBB) Wise Giving Alliance² rates charities on 20 criteria measuring spending patterns, government policies, truthfulness and willingness for public disclosure. There is an additional voluntary fee based program where qualifying charities receive a Seal which can be publically displayed. The third agency, Charity Navigator³, at the time of the study, rated charities on the measures of organizational efficiency and organizational capacity and published a rating of one to four stars.

METHODOLOGY

A learning organization is “an organization skilled at creating, acquiring, and transferring knowledge, and at modifying its behavior to reflect new knowledge and insights” (Garvin, 1993, p. 80). The purpose of this quantitative correlational study was to examine the relationship between learning organization measures and performance in nonprofit organizations, including ratings by third-party organizations as a measure of performance. In the current study, learning organizations were organizations exhibiting the characteristics of dimensions of the learning organization as present in the Dimensions of the Learning Organization Questionnaire (DLOQ) described in Figure 1 (McHargue, 1999).

FIGURE 1: DIMENSIONS OF LEARNING

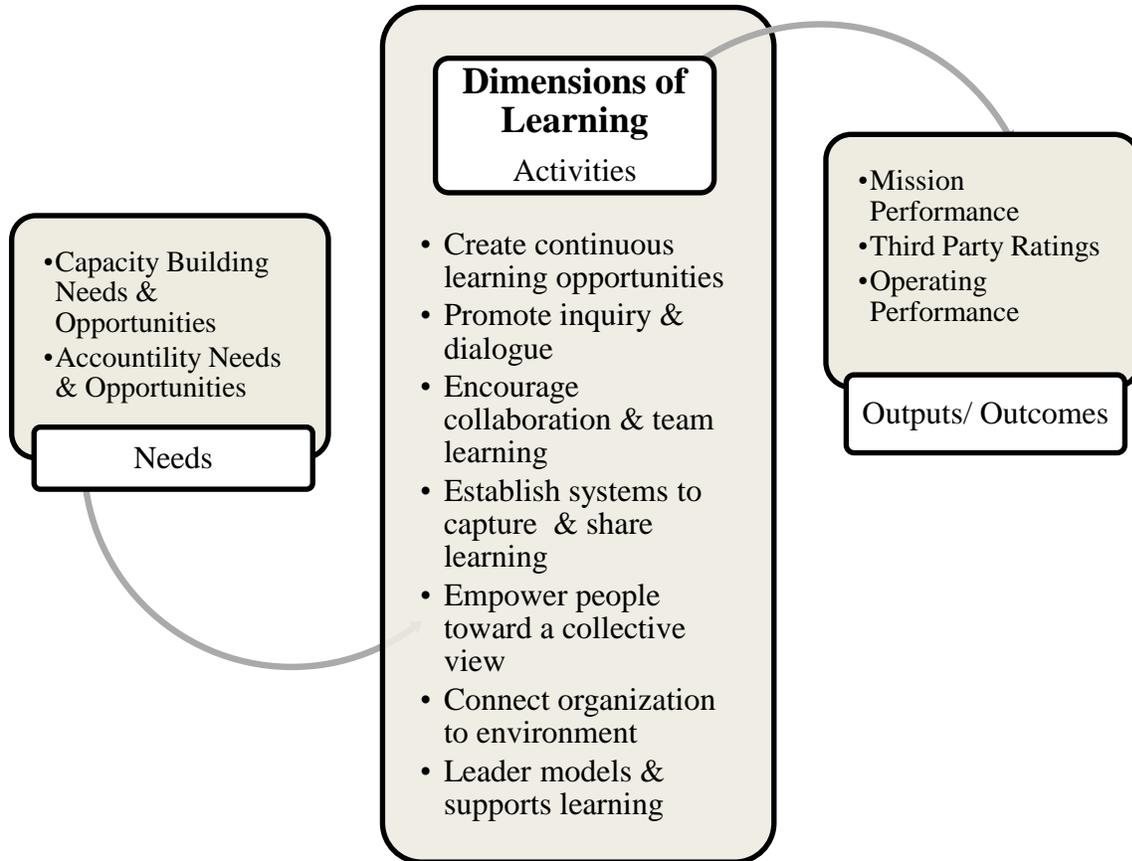


Table 1 below shows a theoretical model of nonprofit sector performance. Two critical issues in the nonprofit sector, capacity building and accountability (Hudson, 2005; Light, 2004; Snibbe, 2006), are substituted for the resource portion of the McHargue (1999) model. The substitution was made based on McHargue’s findings of limited relationships with the resource variables. Research subsequent to McHargue revealed the quality and effectiveness of inputs, not quantity, should be the focus of nonprofit leaders (Bradley, Jansen, & Silverman, 2003; Light, 2004; Niven, 2008). This needs-based model represents the relationship between the critical needs of the sector and the dimensions of learning organizations.

TABLE 1: THEORETICAL MODEL OF NONPROFIT SECTOR PERFORMANCE

Variable	Learning Dimensions		
	5	6	7
Serving Ration	-.04	-.07	-.02
Debt Ration	-.18 *	-.17 *	-.27 ***
Net Assets	-.14	-.09	-.04
Financial Performance	.51 ****	.47 ****	.53 ****
Knowledge Performance	.63 ****	.56 ****	.64 ****
Mission Performance	.47 ****	.39 ****	.48 ****
CN Overall Rating	.09	.04	-.07
CN Efficiency Rating	.11	.13	-.08
CN Capacity Rating	.06	-.06	-.03
AIP Ratings (n=67)	.08	.15	-.03
Twenty Point BBB Rating *	.08	.07	.02
Have the BBB Seal *	.09	.04	.01

Note Learning Dimensions: 1= Continuous Learning; 2= Dialogue and Inquiry; 3= Team Learning; 4= Systems to Capture Learning; 5= Empowerment; 6= Connect to the Environment; 7= Leadership for Learning.

*p < .05 ** p < .01 ***p < .005 **** p < .100.

*Coding: 0= no; 1=yes

Survey data was collected from executive directors of nonprofit organizations in the United States who have been rated by at least two of the three major ratings groups: American Institute of Philanthropy (AIP), the Better Business Bureau Wise Giving Alliance, and Charity Navigator. Additional data was collected from publicly available sources including the National Center for Charitable Statistics (NCCS) and Guidestar. A random sample of 603 organizations was selected from the 880 organizations in the population. Up to four pieces of correspondence were sent to senior leaders of these 603 organizations. The response rate was 21.7%; 131 leaders of the 603 target organizations returned a completed 6-point Likert scale questionnaire.

The current study extended beyond existent research by reaching new populations of nonprofits and adding the new element of third-party ratings. The results further knowledge of how nonprofit board members and executives can align operations with factors related to high performance.

FINDINGS AND DISCUSSION

Four research questions guided the study. The first question considered the relationship between the dimensions of learning organization and various performance measures. The second

question considered the relationship between alternative measures of performance and third-party ratings. The third research question addressed the relationship between size and types of organizations and performance measures to determine if certain demographic measures influence performance. The final question considered combinations of dimension of learning organization constructs to determine the combination of variables which explain various performance measures.

In this section, the results of hypothesis testing are discussed for each of the four research questions. Conclusions are presented for each component of the four research questions. The findings are discussed as they pertain to the literature on learning organizations and organizational performance of nonprofit organizations. Refer to Table 1 shown above for select statistical findings from the study.

Research Question 1

The first research question asked if there is a relationship between the dimensions of the learning organization and measures of operational performance, mission performance, and third-party performance ratings of nonprofit organizations.

The associated null and alternative hypotheses tested for RQ1 were as follows:

H₁₀: No relationship exists between dimensions of the learning organization and operational performance, mission performance, and third-party performance ratings of nonprofit organizations.

H_{1a}: A relationship exists between dimensions of the learning organization and operational performance, mission performance, and third-party performance ratings of nonprofit organizations.

In the findings, there is a significant positive relationship between all seven dimensions of learning organization and the three performance measures for financial, knowledge, and mission performance collected via the DLOQ. Scoring high in each of the seven dimensions of learning organization is associated with better organizational performance. The highest correlation is associated with knowledge performance, followed by financial performance and then the mission performance. Mission performance, critical for the nonprofit sector, includes such attributes as number of clients served, completion rates of programs, success rates of programs, and resources provided to services and programs (McHargue, 1999). As nonprofit leaders focus on organizational mission instead of financial returns, the positive statistical significance is of particular importance to these leaders and other constituents of the sector.

While nonprofit leaders focus on their organization's missions, attributes linked to higher mission performance can also support better financial performance and knowledge performance. Leaders of organizations with higher dimensions of learning are more likely to implement indicators of knowledge performance including new services and have higher levels of staff development and resources available. Organizations with higher dimensions of learning were associated with higher financial performance, a measure that includes efficiency, contributions, productivity, and volunteer support. Organizations with relatively high dimensions of the learning organization have increased likelihood of improved public support from donations and

volunteers, indicating funders might be drawn to organizations with efficient operations and productive staff and seek to leverage their program funds through financial support of learning activities at the organizations being funded.

As was found in an earlier study by McHargue (1999) all seven dimensions of the learning organization had significant positive relationships with the performance measures of financial, knowledge, and mission performance and the individual dimensions are ranked consistently with each performance measure except for the three lowest ranked dimensions. The leadership for learning dimension with the highest correlation was associated with r^2 equal to 41.0, 28.1, and 23.0% of the variance with knowledge, financial, and mission performance measures, respectively. This analysis supports the earlier finding of the importance of the role of leaders in supporting organizational learning (Zahra & O'Neill, 1998).

The empowerment learning organization dimension was associated with r^2 equal to 39.7, 26.0, and 22.1% of the variance with knowledge, financial, and mission performance measures, respectively. The findings support earlier work indicating that organizational leaders who share a clear vision with constituents and use feedback from these constituents are more likely to have higher organizational performance (Epstein, 2008; Marsick & Watkins, 1999; Senge, Scharmer, Jaworski, & Flowers, 2004).

The systems to capture learning dimension was associated with r^2 equal to 38.4, 25.0, and 20.3% of the variance with knowledge, financial, and mission performance measures, respectively. The findings support previous indicators that organizational leaders who are able to harness information and competencies above the individual and team level have a higher likelihood of superior organizational performance (Light, 2004; Marsick & Watkins, 2003; Niven, 2008).

The team learning dimension was associated with r^2 equal to 32.5, 25.0, and 21.2% of the variance with knowledge, financial, and mission performance measures, respectively. These findings support the previous work demonstrating organizations whose leaders promote collaboration, cooperation, and learning in teams are likely to have higher performance than organizations not exhibiting these attributes (Jensen, 2005; Light, 2000; Yang & Chen, 2005).

The connecting to the environment learning dimension was associated with r^2 equal to 31.4, 22.1, and 15.2% of the variance with knowledge, financial, and mission performance measures, respectively. The findings support previous observations that organizations whose leaders look outwardly and build boundary-spanning networks between organizational staff and others outside the organization are more likely to have higher organizational performance (Crutchfield & Grant, 2008; Hudson, 2005).

The dialogue and inquiry learning organization dimension was associated with r^2 equal to 27.0, 24.0, and 13.0% of the variance with knowledge, financial, and mission performance measures, respectively. The results for the current study confirm previous findings demonstrating

a relationship between an engaging culture encouraging inquiry and cooperation with higher organizational performance (Marsick & Watkins, 1999).

The continuous learning dimension was associated with r^2 equal to 26.0, 22.1, and 15.2% of the variance with knowledge, financial, and mission performance measures, respectively. The results of the current study support the previous findings of the importance of continuous learning and the facilitation of knowledge development in organizational performance (Antal & Sobczak, 2004; Chunharas, 2006; Epstein, 2008).

The organization's debt ratio had significant negative correlations with six of seven learning dimensions (the learning dimension of learning and dialogue and inquiry were the exception). Higher dimensions of learning are associated with lower debt ratios supporting earlier findings (McHargue, 1999). The negative relationship between higher debt and lower dimensions of learning levels might be a result of conflict in the ability to fund learning activities while servicing debt. This indicates that organizations with higher levels of the dimensions of the learning organization might generate additional resources and require less debt to finance operations. Higher debt might also be associated with certain organizational groups and group characteristics that might intervene with the dimensions of learning organizations.

Where significant, the variance associated with dimensions of learning and debt ratio ranged from a low of $r^2 = 2.9\%$ ($r = -.17$) to $r^2 = 7.3\%$ ($r = -.27$) for leadership for learning. All relationships were at r^2 levels considered weak or demonstrating no relationship and might not have operational significance to leaders and funders of organizations (Salkind, 2008).

In the current study, with the single exception of team learning and net assets, no statistically significant relationship was found between the seven learning organization variables derived from the DLOQ and the measures of the operational performance element of net assets. The correlation between team learning and net assets was $r = -.20$, a weak correlation (Salkind, 2008). No statistical significance was found between these seven dimensions of the learning organization and the savings rate (the excess of revenue over expense divided by the expense). The results of the current study confirm the findings of earlier studies indicating net assets and savings rates have limited relationships with the dimensions of the learning organization (McHargue, 1999).

Third-party ratings were not found to have any statistically significant relationship with the dimensions of the learning organization (continuous learning, dialogue and inquiry, team learning, systems to capture learning, empowerment, connect to the environment, and leadership for learning). The findings do not support using the construct of learning organization to predict the six third-party ratings of the Charity Navigator overall rating, the Charity Navigator capacity rating, the Charity Navigator efficiency rating, the AIP rating, the 20-point BBB rating, and the BBB seal. Reports in the nonprofit press indicated that rating systems only measure financial performance and fail to tell users about the achievement of desired results (Greenwell, 2008; Preston, 2008). The findings confirm research that demonstrated ratios used in calculating ratings

often fail to measure quantity and quality of outputs and outcomes and do not measure performance tied to mission and sustainability (Ralser, 2007; Tinkelman & Donabedian, 2007).

The statistical relationships between learning organization attributes and organizational performance calculated to address the first research question support earlier findings in the literature. The findings from the current study extend previous work conducted in both for-profit and nonprofit sectors by including a broader population of nonprofit organizational groups. The statistical relationships in the current study are generally higher than those found by McHargue (1999).

The extent to which statistical relationships vary from those found by McHargue could be a result of the different population used or due to changing perceptions in nonprofit leadership in the intervening time between the studies. The broader population used in the current study might have lower correlations than those found in the human services organizations, which was the population for McHargue's (1999) study. Alternatively, leaders in the nonprofit sector might have different perceptions about the dimensions of the learning organization or the performance measures in the current study than was the case during the time of the earlier study. Recognition of the growing importance of knowledge workers, intellectual property, and the pervasiveness of technology might have changed the perceptions of leaders surveyed in the current study compared to their counterparts in earlier studies. Leaders might view mission performance in more qualitative terms than earlier studies and therefore perceive the attributes of learning organizations differently than in earlier times.

Research Question 2

The second research question asked if there is a relationship between the operational and mission measures of performance and third-party performance ratings of nonprofit organizations.

The associated null and alternative hypotheses tested for RQ2 were as follows:

H_{2o}: No relationship exists between operational and mission measures of performance and third-party performance ratings of nonprofit organizations.

H_{2a}: A relationship exists between operational and mission measures of performance and third-party performance ratings of nonprofit organizations.

As only one statistically significant relationship ($p < .05$) was found in the 18 combinations between the performance variables including financial performance, knowledge performance, mission performance, savings ratio, debt ratio, or net assets and one of three Charity Navigator ratings, the 1 significant result might be an error. At a statistical significance level of $p = .05$, there is a 1 in 20 chance that the calculated relationship is a result of sampling error (Babbie, 2007). The 1 in 18 result is about equal to the expected sampling error of 1 in 20.

The correlation coefficient between mission performance and the Charity Navigator capacity rating was $r = .17$, which is an indication of only a weak or no significant relationship (Salkind, 2008). There were no significant relationships between mission performance and five of six

third-party ratings of the Charity Navigator overall rating, the Charity Navigator efficiency rating, the AIP rating, the 20-point BBB rating, and the BBB seal. There were no significant relationships between the broad scope of performance measures, savings ratio, debt ratio, net assets, financial performance, knowledge performance, and the six third-party ratings of the Charity Navigator overall rating, the Charity Navigator capacity rating, the Charity Navigator efficiency rating, the AIP rating, the 20-point BBB rating, and the BBB seal.

The results support the finding that third-party measures have a limited scientific base of support, do not measure the quantity and quality of organizational outputs, might rely on poor data sources, and do not measure how well nonprofit organizations meet their missions (Light, 2004; O'Flanagan, Harold, Brest, 2008; Preston, 2008; Tinkelman & Donabedian, 2007).

The most common measures of financial performance include fundraising and program spending ratios (Lammers, 2003; Light, 2004; Nelson, 2004; Urban Institute, 2007). Rating groups share the use of ratios but have inconsistencies on allowable levels (Lowell et al., 2005). As the third-party ratings are solely or significantly based on ratios, the findings support the finding that ratios have limited utility in measuring the quality and quantity of organizational outputs and outcomes (Lammers, 2003; Ralser, 2007).

Research Question 3

The third research question asked if there is a relationship between organizational characteristics of size and group (predictor variables) and measures of operational performance, mission performance, and third-party performance ratings of nonprofit organizations (criterion variables).

The associated null and alternative hypotheses tested for RQ3 were as follows:

H₃₀: No relationship exists between organizational characteristics of size and group and measures of operational performance, mission performance, and third-party performance ratings of nonprofit organizations.

H_{3a}: A relationship exists between organizational characteristics of size and group and measures of operational performance, mission performance, and third-party performance ratings of nonprofit organizations.

The results support no relationship between the size elements of income total and net assets and total assets and net assets. The results also support no relationship between the National Taxonomy of Exempt Entities (NTEE) group (predictor variable) and the 20-point BBB rating. Support was demonstrated for the alternative hypothesis of a relationship between income total and net assets and total assets and net assets and the NTEE group and the 20-point BBB rating.

The results support accepting no relationship between the size variables of number of volunteers or number of employees and the measures of savings rate, debt ratio, net assets, financial performance, knowledge performance, mission performance, Charity Navigator overall rating, Charity Navigator efficiency rating, Charity Navigator capacity rating, AIP rating, the 20-

point BBB rating, and the BBB seal. The results support accepting no relationship between NTEE group and the measures of savings rate, debt ratio, net assets, financial performance, knowledge performance, mission performance, Charity Navigator overall rating, Charity Navigator efficiency rating, Charity Navigator capacity rating, AIP rating, and the BBB seal.

It is not a surprise that organizations with higher net assets would have a significant positive relationship with higher total assets and higher total income. Net assets was the only organizational characteristic with a significant relationship with any of the size variables of the number of volunteers, number of employees, income total, and total assets. No significant relationships existed between the four size variables and the measures of savings rate, debt ratio, net assets, financial performance, knowledge performance, mission performance, Charity Navigator overall rating, Charity Navigator efficiency rating, Charity Navigator capacity rating, AIP rating, the 20-point BBB rating, and the BBB seal. The lack of significance with demographic variables might support the generalizability of the measures. If size, including the number of volunteers, number of employees, income total, and total assets, or the NTEE group were significantly related to performance, the performance measures would not be applicable to broader populations.

The lack of significance of the relationship between the dimensions of the learning organization and measures of organizational size confirms earlier findings. McHargue (1999) found no relationship between the dimensions of the learning organization and the number of employees. Continuous learning and systems to capture learning were the only dimensions of the learning organization shown to have statistically significant relationships with the number of volunteers, but the correlation was weak ($r = .13$ and $r = .17$, respectively).

Research on nonprofits using the constructs of organizational performance and mission performance is limited (McHargue, 1999). Yang et al. (2004) found the dimensions of learning organization construct was valid across multiple for-profit business types and organizational sizes for financial and knowledge performance measures. External validity is concerned with the generalizability of a research design from one sample to another and therefore to the population itself (Salkind, 2006). A lack of significant relationships in the current study between group and size and performance measures provides further evidence that performance measures are not significantly impacted by demographic characteristics.

Research Question 4

The fourth research question asked about the combination of dimensions of the learning organization and organizational characteristics that best explains the predictive relationship between these variables and measures of operational performance, mission performance, and third-party performance ratings of nonprofit organizations (criterion variables).

The associated null and alternative hypotheses tested for RQ4 were as follows:

H₄₀: No relationship exists between a combination of dimensions of the learning organization and organizational characteristics and measures of operational performance, mission performance, and third-party performance ratings of nonprofit organizations.

H4_a: A relationship exists between a combination of dimensions of the learning organization and organizational characteristics and measures of operational performance, mission performance, and third-party performance ratings of nonprofit organizations.

The results supported there was no combination of variables with a relationship to financial performance, knowledge performance, mission performance, Charity Navigator overall rating, and the 20-point BBB rating. Support was demonstrated for the alternative hypothesis that there are combinations of variables with a significant relationship with financial performance, knowledge performance, mission performance, Charity Navigator overall rating, and the 20-point BBB rating.

There were similarities in the combinations of variables, with the highest significant relationship with financial performance, knowledge performance, and mission performance. In each case, a higher number of employees and the leadership for learning dimensions were included in the combination that provided the best relationship with higher performance in financial performance, knowledge performance, and mission performance. The NTEE groups of health and human services were included in the combination with the highest relationship with financial performance, knowledge performance, and mission performance, and both health and human services groups negatively related to the performance measures. The presence of leadership for learning in each combination of highest significant relationships confirms the importance of the role of leadership in organizational learning (Zahra & O'Neill, 1998).

The number of employees and the NTEE group were not found to have a significant relationship with financial, knowledge, and mission performance. In combination with other variables, the number of employees was the only size element present in the combinations most predictive of performance. Employees are the fundamental measure of learning, so performance is higher based on this measure versus another measure of size such as income total and net assets. Both health and human services groups have negative betas, meaning these groups are associated with lower performance than other major groups. These groups might have special issues with operations or leadership not typical of other groups.

The models developed in the current study to address RQ4 provide support for research indicating that performance is a multidimensional construct (Herman & Renz, 1999). Previous research regarding the relationship between nonprofit organizational type and the organizational and mission performance constructs is limited (McHargue, 1999). The presence of the NTEE groups of health and human services in the models developed to answer RQ4 provides evidence that performance in different types of nonprofits should be considered in groups of like organizations (Guidestar, 2009a; Ralser, 2007).

RECOMMENDATIONS

Organizational leaders can use the application of organizational learning to improve performance along several measures, including financial, knowledge, and mission performance. The dimensions of the learning organization provide a framework for identifying the status of

organizational learning and a means to impact learning at the individual, group, and organizational level. Leaders applying the dimensions of learning have a systematic and comprehensive means of developing and applying intangible assets toward supporting stakeholders.

Leaders of nonprofit organizations should understand what the dimensions of the learning organization include and determine means to improve the application of the attributes of the dimensions to their organizations. The relationships between the learning dimensions and multiple performance measures provide guidance to nonprofit practitioners on opportunities to improve organizational performance. Leaders can improve performance by designing jobs and directing resources to support learning. Nonprofit leaders should act as role models emphasizing learning and promoting learning by others and establishing a culture and reward structure tied to learning.

The growing evidence of the significant positive relationship between systems, policies, cultures, and investments supporting learning in nonprofit organizations does not have an impact unless it motivates improvements at the organizational level (Ellinger et al., 2002; Watkins & Dirani, 2013; McHargue, 2003; Yang, Watkins, & Marsick, 2004; Zhang, Zhang, & Yang, 2004). Unless awareness of the relationships between learning and performance is translated into action, organizational performance might not be maximized. Leaders can improve performance by exhibiting a focus on learning and by influencing learning throughout the organization. Leaders should focus on creating a culture of openness and cooperation to facilitate performance. The challenge to nonprofit leaders is how to create such a culture with limited resources and in an environment in which spending on select capacities is criticized and penalized.

Nonprofit board members support the nonprofit organization and act as organizational representatives to the outside environment. Board members are often donors and support the fundraising efforts of the organizations they serve. With the findings that the dimensions of the learning organization have a positive, statistically significant relationship with several performance measures, members of nonprofit boards should consider the status of the organizations that they govern and determine if organizational plans and budgets are aligned with learning, enabling activities that are linked to performance. Board members should also seek to fund capacity-building activities that support learning in the organizations and indirectly make the organization more likely to support its mission and be financially strong.

Funders of nonprofit organizations might be able to leverage their investments in programs by supporting organizational learning as part of a comprehensive view of support, instead of the typical approach of isolating funds to direct program activities. Supporters of an organization's mission might see higher measures of organizational success if they allow supported organizations to use funds to build organizational learning in addition to funding services provided to clients. Donors and other funders interested in funding organizations based solely on their third-party ratings without considering organizational effectiveness will risk limiting the benefit of their funds. Thus, supporters should consider additional measures instead of focusing solely on ratings.

Watchdog groups have been criticized for the lack of relationships between their ratings and outcomes and continue to base their methodologies on measures with a limited research base. Although leaders of these organizations have developed significant organizational coverage and broad stakeholder utilization, they might measure attributes not tied to successful performance. New measures need to be developed with greater utility that focus on results and not just on narrowly defined financial ratios.

Members of federal governmental units such as the Senate Finance Committee and IRS have criticized the spending by nonprofit leaders and have publicly embraced using data derived from IRS Form 990 to assess organizational performance using metrics similar to those used by charity rating organizations (McCambridge, 2005). Elected officials and federal employees support using data such as fundraising ratios and program expense measures despite criticism that evaluating organizations are using fixed ratio thresholds not applicable to all organizations (Lammers, 2003). Any legislation or regulatory actions supported by these measures might not yield desired results and might be harmful. Adverse actions might penalize nonprofit organizations serving their constituents well and reward nonprofits that might be ineffective or present distorted numbers.

CONCLUSION

The nonprofit sector's size and impact is substantial and the sector is growing rapidly (Blackwood, Wing, & Pollak, 2008; Lowell et al., 2001; United Way of America, 2004). Leaders of nonprofit organizations have unique issues such as defining accountability and capacity, but like organizational leaders in other sectors, they seek higher performance. The purpose of the quantitative descriptive correlational study was to examine the relationship between learning organization measures (predictor variables) and performance in nonprofit organizations (criterion variables), including the introduction of ratings by third-party organizations as a measure of performance. Four research questions guided the current study to extend prior research to new populations while adding ratings of nonprofit organizations as a performance measure. A random sample of 603 organizations was selected from the 880 organizations in the population; 131 leaders returned a completed questionnaire.

The current study confirmed prior research supporting the relationship between the dimensions of the learning organization and multiple measures of performance, adding evidence to the view that learning matters in nonprofits. The current study expanded prior research to a broader population of nonprofit organizations. The study revealed no significant relationships between the seven predictor variables derived from the DLOQ (continuous learning, dialogue and inquiry, team learning, systems to capture learning, empowerment, connect to the environment, and leadership for learning) and the third-party performance rating variables of Charity Navigator overall rating, Charity Navigator efficiency rating, Charity Navigator capacity rating, AIP rating, the 20-point BBB rating, and the BBB seal.

Suggestions for future research support further examination of the relationship between learning and performance and what, if any, relationships exist between third-party ratings and

organizational performance. The suggestions include studying the convergence between for-profit and nonprofit organizations, with more depth of analysis between different types of organizations common to the sectors. Another recommendation is to monitor measures under development by existing rating organizations and developing organizations to guide donors. A final recommendation is to study broader measures of nonprofit performance, including the qualitative analysis of programs and the way qualitative measures relate to learning attributes of organizations.



NOTES

¹American Institute of Philanthropy

Now known as Charity Watch located at <http://charitywatch.org/>. The organization rates 600 charities from A (excellent) to F (poor) based on share of funds spent on charitable purposes, the expense to raise \$100 and the presence of excess asset reserves.

²Better Business Bureau Wise Giving Alliance

Located at <http://www.bbb.org/us/charity/>. Charities are measured on 20 criteria measuring spending patterns, government policies, truthfulness and willingness for public disclosure. There is an additional voluntary fee based program where qualifying charities receive a Seal which can be publically displayed.

³Charity Navigator

Located at <http://www.charitynavigator.org/>. At the time of the study charities were rated on the measures of organizational efficiency and organizational capacity and a rating of one to four stars assigned based on the analysis

For a complete copy of the research project described, please contact John Wetherington jmwethe@email.phoenix.edu.

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