Balancing Advisory and Service Delivery Efforts in Nonprofits: A Service Design Perspective

1. Introduction

Non-profit organizations (NPOs) that support and serve distressed individuals face a complex task because their clients are often unable to articulate their needs. As a result, these NPOs are driven to not only offer a variety of services to fulfill different needs, but also engage in advisory activities to minimize mismatches between the services clients receive and their true needs. Another pervasive issue faced by these NPOs is the scarcity of resources, which they need to allocate to these various activities.

As an illustrative example, consider Daya, a Houston, Texas-based NPO that works toward the empowerment of South Asian women who encounter domestic violence. Daya offers a multitude of services ranging from counseling to shelter housing to legal support. However, because its clients are typically unable to articulate the sources of their crisis, they may seek and receive services that are not best suited to their needs. For instance, when clients who need legal representation to overcome financial abuse incorrectly seek temporary housing, Daya’s services generate limited social impact.

Daya is hardly unique as an NPO that endures loss of impact from mismatches between the services its clients receive and their true needs. Georgia Works (GW) is an NPO in Atlanta, Georgia that aims to transform chronically homeless men into self-sufficient members of society. Although homelessness has many underlying causes, GW’s program of rehabilitation-through-employment is successful only for clients who possess a combination of behavioral and cognitive attributes. Most individuals who approach GW are unable to assess these characteristics by themselves. Indeed, nearly a third of the clients who participate in the program cannot complete the requirements. To guide their clients ascertain their fitness for the program, NPOs can invest in advancing their intake processes. However, given their limited amount of resources, it is not clear whether – and how much – these NPOs should invest in providing such guidance and advancing their intake processes.

Motivated by the above examples, in this paper, we focus on the service design of NPOs whose clients are under-informed about their needs. We propose an analytical model to answer the following research questions: (i) How should an NPO that serves the needs of under-informed clients design its services to create the most social impact? (ii) How does this service design depend on characteristics of clients’ needs and services offered?

1The examples in the paper are based on interactions between the authors and the NPOs. For more information about Daya, visit [http://www.dayahouston.org](http://www.dayahouston.org). For more information about GW, visit [http://www.georgiaworks.net](http://www.georgiaworks.net).


There are many distinctive objectives for design of services depending on the context. In this paper, we focus on the service design of NPOs toward maximizing service quality (Anand et al., 2011; Tong and Rajagopalan, 2014), which in our context is equivalent to generating a higher social impact. For NPOs, the complexity of service design and improving quality (impact) also arises from the scarcity of resources (de Véricourt and Lobo, 2009; Lien et al., 2014; Feng and Shanthikumar, 2016). We contribute to this literature on non-profit service design by also considering another source of complexity: the loss of social impact due to mismatches between the services clients receive and their true needs. Another important distinction in our study is the interdependence between different service activities of the NPO (i.e., advisory and service delivery). That is, while the NPO’s advisory and service delivery activities are complementary in generating social impact, one activity cannot be improved without adversely affecting other activities given the scarcity of resources.

2. Model and Results

We consider an NPO’s service design that comprises two types of efforts: advisory and service delivery. In the advisory effort, the NPO offers guidance to improve clients’ understanding of their needs (e.g., a deep intake process). In the service delivery efforts, the NPO delivers different types of services to its clients (e.g., professional or financial rehabilitation). We characterize the NPO’s optimal advisory and service delivery efforts that maximize the social impact obtained from its available resources. The optimization model captures the following trade-off: while investing in advisory effort increases the likelihood of clients receiving the appropriate services (reduces mismatches), it depletes the resources that are available for the NPO’s service delivery efforts. In addition, the model captures several aspects of the state of the NPO (i.e., limited resources, scalability of its services, and differences in the social impact of its services) and clients’ characteristics (i.e., mix and diversity of their needs, and loss of impact due to mismatches).

Our analysis reveals several first-order insights for NPOs. First, we find that when the NPO is severely resource-constrained, it is optimal to offer only basic guidance to its clients; instead, all its resources should be directed toward service delivery activities. In contrast, when the NPO has sufficient amount of resources, it is optimal to spread resources between both advisory and service delivery activities. Our analysis also shows how the NPO’s service design may be influenced by its scalability, which is an important determinant of impact for NPOs (Bradach, 2003). An NPO’s services may have limited scale when it faces external constraints to expansion from regional, partnership, or regulatory sources. In such cases, we find that the NPO’s optimal advisory effort might even exceed its service delivery efforts. However, when the NPO’s services are scalable, the NPO should invest less
in advisory effort, and also specialize in only a certain type of service delivery, i.e., not attempt to provide everything to everyone.

Moreover, we extend our model to investigate the impact of earmarked resources, i.e., funds donated to the NPO for only a certain type of service delivery. Our analysis shows that although earmarked funding is better than no funding at all, it may have unintended consequences. Earmarked funding for one type of service can lead to an increase in investment of the NPO’s resources towards its advisory effort, but crowd out the non-earmarked service provision. We also analyze situations where the NPO’s services may not be equally scalable, or clients’ mismatches lead to different loss of impact.

Finally, we provide an illustration of our analysis in a practical context, and suggest pathways to help NPOs improve their social impact. NPOs may implement our proposed optimal service design through activities such as hiring and training employees, contracting with specialists (e.g., lawyers and tutors), or investing in infrastructure (e.g., shelters and temporary housing). Although NPOs typically feel compelled to offer a smorgasbord of services that cater to all types of clients, we identify conditions under which NPOs should specialize in a single type of service. In addition, as advisory efforts typically do not produce an immediately visible impact, they are often undervalued in practice. We believe NPOs can employ our analysis to determine whether (and how much) they should invest in providing guidance to their clients and advancing their intake processes. Finally, our model-based analysis can help NPOs adjust their service design as they encounter changes in the demographics of their clients and partnership bases.

References


