

## How Can Nonprofit Organizations Maximize Social Impact for Distressed Individuals?

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### » Research Question Addressed

How should mission-driven NPOs that serve distressed individuals design their portfolio of services to maximize their social impact?

### » Primary Findings

When NPOs that serve distressed individuals have limited funds, they should focus on delivering only a subset of services. Under certain scenarios, it turns out that an NPO could create a higher social impact by focusing on providing the less-demanding type of service. This is especially true when the clients experience severe agony while on the path to obtaining resolution for their needs.

In contrast, when NPOs have sufficient funds, they should offer a multitude of services; in addition, they should invest more in advising their clients to receive services that are best suited for their needs. This approach would lower the possibility of mismatches and maximize the NPO's impact; it is even more effective when different types of clients are not evenly mixed in the population.

While earmarked funding for a specific service is better than no funding, it could crowd out the investment of the NPO's resources in providing advisory services to its clients and thus potentially lead to higher rate of mismatches.

### » Relevant Sectors

Nonprofit organizations (NPOs)  
Operations management  
Services operations

### » Keywords

Distressed individuals  
Nonprofit operations  
Service design  
Social impact

### » Industries Appearing in Research

Daya Houston  
First Step  
Georgia Works!  
Mission-driven nonprofit organizations  
Nonprofit service providers





## » Highlights

When an NPO serves client types who experience severe agony while waiting to obtain resolutions to their needs, the NPO should not attempt to offer a multitude of services. Rather, it should focus on providing a subset of services.

An NPO should invest more in guiding and advising its clients to choose the best-suited service when it is not severely resource-constrained, or when different types of clients are not evenly mixed in the population.

Earmarked funding is better than no funding, but it may crowd out the NPO's investment in guiding and advising its clients.

## » Topic Overview

Many NPOs serve distressed individuals who seek relief from hardships such as domestic abuse or homelessness. Such social issues have significant economic impacts, such as: lost days of paid work; increased incidence rates of depression, suicide, and HIV infections; and higher rates of crime. Domestic violence costs society \$8.3 billion per year, while estimates show homelessness costs society nearly \$10,000 per homeless person per year. Individuals served by such NPOs differ greatly in terms of their needs; additionally, they may not know what type of help they require or be able to articulate their needs. As a result, clients may seek and receive services that are not best suited to their needs. For instance, a victim of domestic violence who needs counseling for psychological abuse may instead seek legal representation for filing a divorce. However, she may realize during the process that this is not a suitable service for her (e.g., due to fear of losing her child custody), and therefore switches to counseling. These types of mismatches often lead to an increase in the time it takes for those clients to progress towards resolution. Furthermore, by depleting limited funds, these mismatches also decelerate services delivered to clients who correctly choose their services. Therefore, NPOs in this domain face two complex questions in regard to the design of their service portfolio: How should they allocate their limited resources between advising (i.e., providing guidance) and service delivery (i.e., providing impact-creating services)? Also, what subset of services should they offer in order to maximize social impact?

## » Implications for Sustainable Business

Much of the research on NPOs has focused on fundraising activities and operations of organizations that provide products (such as food, medicines, or clothes) to the population in need. However, NPOs that serve distressed individuals face a unique challenge: They must decide what services to offer and how to allocate their resources among the offered services. The results of this study shed light on how such NPOs can strategically design their services to maximize the social impact they can generate by serving clients. Improving effectiveness of these NPOs will not only assist individuals in distress but also reduce the societal cost generated by social problems.

## » Link to Academic Paper

Arora, P., Rahmani, M., & Ramachandran, K. (2017). [Service design of nonprofits that serve distressed individuals](#). *Georgia Tech Scheller College of Business Research Paper*, No. 17-33.

## » Related Links

Kalkanci, B., Rahmani, M., & Toktay, B. (2018). [The role of “inclusive innovation” in promoting social sustainability](#). Forthcoming, *Production and Operations Management*.

Oliver, R., Alexander, B., Roe, S., & Wlasny, M. (2019). [The economic and social costs of domestic abuse](#).

## SUSTAINABLE BUSINESS INSIGHTS