

THE MISSION-BASED MANAGEMENT PRACTICES IN NON-PROFIT ORGANIZATIONS IN ALBANIA

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Abstract:

The non-profit sector is very important for the whole scheme of a country life. Dozens of non-profit organizations actually operate in Albania. During the last 20 years there has been a significant increase in the number of non-profit organizations, because of the rapid changes in the environmental conditions.

Regardless the increase in the number of these organizations, the economic challenges in the last decade had a huge influence in their ability to survive. For this reason the non-profit sector states the financial capacity as its greatest challenge.

This new economy would give rise to a decline in the survival of many non-profit organizations, especially those that relied solely on government and other support.

The purpose of this research is to examine whether or not the mission-based management practices suggested by Brinckerhoff had any relationship to revenues in non-profit organizations. Researchers such as Brinckerhoff postulated that non-profits must incorporate for-profit business practices into their organizational strategies (like strong marketing focus, etc) in order to adapt to the financial changes taking place in the non - profit sector.

The data to conduct this study were collected from some non-profit organization in Albania using a questionnaire which they filled in by themselves. The survey questions focused

specifically on each of the ten mission-based management practices which required participants to indicate whether or not any of the mission-based management practices were used.

The data gathered illustrate that there appears to be a link between organizational capacity, for-profit management practices, and successful non-profit organizations. The concepts of marketing, finance, auditing and strategic planning were associated with economic thought and therefore not an area of great importance to the non-profit sector.

Keywords: Non - Profit Organization, Challenge, Funding, Marketing, Mission - Based Management Practices

Introduction:

The non-profit sector is very important for the whole scheme of a country life. Dozens of non-profit organizations actually operate in Albania. During the last 20 years there has been a significant increase in the number of non-profit organizations, because of the rapid changes in environmental conditions.

Regardless the increase in the number of these organizations, the economic challenges in the last decade had a huge influence in their ability to survive. For this reason the non-profit sector states the financial capacity as its greatest challenge. Such a factor affects also nonprofit organizations in Albania.

As it was suggested by Jones (2003), "the non-profit sector needs to focus on high performance and organizational excellence through capacity building if it is to survive in this new economy". Regardless of country of origin, the non-profit sector placed its organizational focus on programs rather than on performance. The nature of funding in the nonprofit sector is short-term rather than long-term and because of this it is difficult for organizations to support both infrastructure and long-term organizational capacity. A fundamental component of non-profit programs is the need to generate the income to develop, sustain, or expand either new or successful programs, which has become all the more challenging due to the current economic reality. (Hall et al. 2005).

But the question is how to “manage” organizations in this sector. Brinckerhoff (2009) stated that in order to achieve financial success it was necessary for non-profit organizations to engage in what he referred to as mission-based management practices. Brinckerhoff suggested

that there were ten mission based management practices that could be used to incorporate for-profit management practices into a non-profit culture. It was proposed that these practices would lead to an organizational focus that was balanced between performance and programs. He postulated that non-profits must incorporate for-profit business practices into their organizational strategies (like strong marketing focus, etc) in order to adapt to the financial changes taking place in the non-profit sector.

The purpose of this research is to examine whether or not the mission-based management practices suggested by Brinckerhoff had any relationship to revenue in non-profit organizations in Albania.

Brinckerhoff conclusions on mission-based management practices are not supported by formal research, rather, he has used his extensive experience and interaction with the non-profit sector over the past two decades to develop his theory on mission-based management practices. Although there was a reasonable amount of research in this area, there appears to be a gap in the literature because while most researchers have identified that non-profit organizations need to embrace for-profit business practices only Brinckerhoff suggested a methodology for how the non-profit might transit from program-centered strategy to a performance centered strategy (Brinckerhoff, 2000).

Based on this theory it was created a survey to collect data and to help examine whether or not there was a relationship between the ten mission-based management practices and revenue in non-profit organizations in Albania. The survey questions focused specifically on each of the ten mission-based management practices especially marketing, which required participants to indicate whether or not any of the mission-based management practices were used.

1. Nonprofit Organization And Definitions

Given the intention to examine the application of mission-based management practices to the nonprofit organization, it is important to begin by defining what we mean by this term. The nonprofit organizations can be defined as: one that exists to provide for the general welfare of society, through the marshalling of appropriate resource and/ or the provision of physical goods and service. Such organizations do not exist to provide for personal profit or gain and do not, as a result, distribute profits or surpluses to shareholders or members. They may, however, employ

staff and engage in revenue-generating activities designed to assist them in fulfilling their mission (Sergante, 2009).

The nonprofit sector is undergoing a period of radical change. At global level there has been an explosion in the number of nonprofit organizations over the past 30 years, almost certainly in response to rapidly changing environmental, social, and economic conditions. These conditions have recently included the impact of climate change, increasing national debt, the emergency of new diseases, the breakdown of some traditional political structures, and an ongoing succession of armed conflicts. Aside from this growth there are a number of other factors that influence negatively this trend. The non-profit sector acknowledges difficulties in funding but there is no evidence that the sector has taken any significant step towards implementing change to overcome this difficulty.

Any funding that is made available by government and other sources to nonprofit organizations is required to be directed solely to programs and projects as opposed to organizational capacity. This led to a dichotomous situation for the non-profit sector because even if a non-profit organization wanted to focus on performance, the funding mandate did not allow it to do so. Letts et al. (1999) concluded that organizational capacity was necessary for an organization to be successful, yet funding was mandated for programs and projects so non-profit organizations had little choice but to ignore organizational capacity. The organizational capacity is the ability of an organization to successfully apply its skills and resources to accomplish its goal and satisfy its stakeholders' expectations.

The performance of nonprofit organizations, similar to that of for-profit organizations, is influenced by its capacity to meet its goals and financial objectives while adhering to its mission. Strategic leadership, program and process management were identified as two major success factors in organizational capacity and there was evidence to suggest that non-profits needed to create more high performance organizations by focusing on capacity issues which included management practices (Letts, Ryan, and Grossman, 1999).

A fundamental difference between for-profits and non-profits is that "for-profits chase profits; not-for-profits pursue their mission" (Brinckerhoff, 2000). The interpretation of the difference proposed by Brinckerhoff was that for-profits focus on performance while non-profits focus on programs, or their mission. Brinckerhoff asserted that when an organization pursues a mission, organizational capacity must be a priority because it aids in the successful achievement

of the organization's mission-based strategy. While it is possible for the non-profit sector to learn about management practices from a for-profit perspective, it is much more difficult to adopt these practices in their entirety because of the context and the culture of the non-profit organization (Myers, and Sacks 2003).

In his book *Mission-Based Management*, Peter Brinckerhoff (2009) identifies ten characteristics of successful nonprofits (revised):

- Viable mission. A mission-based organization follows its mission. It needs a mission that motivates, is understandable, supportable, up-to-date and needed.
- Ethical, accountable, transparent. We are stewards of community resources. The best nonprofits are transparent in their work with an emphasis on values and ethical decision making.
- A business-like board of directors. Governing volunteers that know, understand, and pursue the organization's mission, are connected to the community, stick to policy, and are the check and balance on the staff-as well as on funders.
- A strong, well-educated staff. Any effective nonprofit needs staff who are advocates for the mission and manage from the bottom up.
- Embracing technology for mission. The best organizations embrace technology as an accelerator of good mission.
- Social entrepreneurs. Organizations that are willing to take risks to perform their mission; to try (often fail) and try again; to look at markets and provide services to support their mission.
- A bias for marketing. Organizations that understand that everything they do is marketing, and see every act as a marketing opportunity to pursue their mission.

There has been considerable debate over the years concerning if marketing concept can legitimately be applied to the management of such organizations. Most nonprofits, after all, are less concerned with profit than they are with meeting some particular need in society. Marketing in this context is therefore concerned with facilitating an exchange process between an organization and its public, so the societal need can be fulfilled. Although many of the tools and techniques commonly used in commercial marketing practice are indeed equally applicable to the nonprofit realm, the ethos that drives their application can be radically different (Sergante, 2009).

- Financially empowered. Organizations that have diversified income, income from non-traditional sources, an endowment, and therefore, the ability to impact mission without waiting for help.
- A vision for where they are going. A strategic plan, both the process and the document, is a key to success.
- A tight set of controls. Personnel, finance, operations, media, quality control, etc. Good controls free the organization to work on its mission rather than watching its back.

Although these mission-based management practices are closely related to for-profit practices they allow the non-profit entity to retain a balance between performance and programs.

As review of the literature revealed that there was limited research related to the study of nonprofit organizations in Albania, particularly as it related to the managements practices.

2. Nonprofit Organization In Albania

The creation and the process of development of nonprofit organizations in Albania, date since the beginning of the democracy and the opening of economy. And this happens with the help achieved by international organizations like World Bank, IMF, International Soros Foundation, Program Development United Nations, the European Unions, etc.

According to the Ministry of Finance (Financial Intelligence Unit) a total of 1,651 NPOs (Nonprofit Organizations) are currently registered with the tax authorities in Albania. There are no reliable estimates of the number of NPO for previous years as the government does not keep a unified and updated registry of NPOs (NGO Sustainability Index, 2010).

Unless the support of foreign donors, would have been a very limited number of NPO's in Albania, because are these donors that sustained financially most of them (Picari, 2009).

However it is created a dependency on international donors, as exists an absence of financial support by central and local government for the services provided from Albania NPOs (NGO Sustainability Index, 2005). For this reason these NPOs to survive financially are forced to follow the desires and projects prepared by donors, as they lack financial support by government (Mai, 1999). So Albania NPOs remain heavily dependent on foreign funds.

The NPO sector has increased its focus on fundraising in response to limited local philanthropy, sporadic institutional support, and donors' proclivity for funding short-term programs. Although in a formal sense NPOs have clearly defined missions, values, and thematic

areas, their agendas are significantly conditioned by donor priorities. Only a few more recently developed NPOs have begun to diversify their funding bases, with the results yet to be seen (NGO Sustainability Index, 2010).

As result a few projects are sustainable in long term, because the projects survive as long as the donors sustain it financially. If this donor leaves it is also the end of the project.

Difficulties arising from decreased funding have increased competitiveness among well established nonprofit organizations while weaker organizations face the challenges that threaten their survival.

The human resource base remains weak even for developed organizations as NPOs' funding structures only allow project-based staff. Few NPOs' can afford even the periodic use of professional services offered by lawyers, IT consultants, PR officers and marketing activities. The better-equipped NPOs are mostly based in Tirana, while NPOs in secondary cities lack equipment and generally do not use information technology. Well established organizations make extensive use of their websites, newsletters, and other Internet based tools (blogs, social networks, etc.) to promote their activities and build their profiles (NGO Sustainability Index, 2010).

3. Research Methodology

The problem addressed in this study was whether or not the mission based management practice suggested by Brinckerhoff, had any relationship to revenue in non-profit organizations in Albania.

The independent variables in this research were the ten mission based management practice suggested by Brinckerhoff. Brinckerhoff did not conduct quantitative analysis as his mission-based management practices but were only observations from several years of qualitative analysis. So to conclude about the validity of these ten missions based management practice for nonprofit organizations in Albania a survey was created.

For the selection of samples was used database available at Tirana District Court on the registration of all NPOs in Albania. The sample was extracted and a random selection was made.

This survey was distributed to a sample 200 nonprofit organizations in Albania. The response rate is about 51%. Given the response rate achieved and representation of many nonprofit organizations in different areas, the sample was considered to be the representative.

(Anything lower than 30 just doesn't support statistical analysis). The populations for this study were managers, staff, volunteers, and board members of non-profit organizations in Albania. From these questionnaires delivered only 102 were replied.

Participants in this study were provided with a survey and asked to rate the level of use by their organization of each of the ten mission-based management practices using a five point Likert-type rating scale that ranged from always used to never used. Other questions related to the ten mission-based management practices were also included. The survey was designed to allow participants to provide information about their non-profit organization and the management practices engaged therein.

The secondary data were also used in this study which was achieved through an extensive literature review on the management practice of nonprofit organizations, but what was achieved through this data was only theoretical.

4. Results And Findings

The aim of this study is to assess if there exists any relationship between the levels of use of mission based management suggested by Peter Brickerhoff and revenue in non-profit organizations in Albania. To assess this relationship it was conducted a research which was described in previous paragraphs. The results of this research were analyzed and evaluated and are shown below.

The first ten questions from questionnaire used in this research describe 10 different mission-based management practices. From these questions participants were asked to rate each management practice based on a five-point Likert scale as follows: 5 = *always use*, 4 = *somewhat use*, 3 = *do not know*, 2 = *seldom use*, and 1 = *never use*.

Table 1 provides a summary of the descriptive statistics, which indicates the means calculated from the data.

Independent Variable	N	Min	Max	Mean
Mission Statement	102	1	5	4.65
Ethical, Accountable, Transparent	102	2	5	4.94
Board of Directors	102	2	5	4.95

Talented Staff	102	1	5	4.52
Technologically Savvy	102	1	5	4.23
Social Entrepreneurs	102	1	5	4.05
A Bias for Marketing	102	1	5	3.13
Financially Empowered	102	1	5	2.71
A Vision for Direction	102	1	5	4.61
Tight Set of Controls	102	1	5	4.47

Table1. Descriptive Statistics

The first question in this survey was about mission statement, which is expressed with a continuum of a five-point scale from (never use) with a rating of 1 to always use, with a rating of 5. The mean was 4.65 which indicated that the majority of participants either always used or somewhat used a mission statement to guide the organization strategy. So a majority of respondents expressed a tendency towards always use. The number of response were 102 of which 77.6% stated they always used a current mission statement, 14.2% said they somewhat use, 4% said they seldom used, and 4% reported never using.

In the second question the participants were asked about ethical, accountable, transparency. The mean was 4.94 which indicated that almost all participants always used an emphasis on values and ethical decision making. Total responses were 102 of which 95.4 % responded that they always used a board of directors, 3.6 % somewhat used, 0.5 % did not know, and 0.5 % seldom used. None reported "never used".

In survey question three, participants were asked about board of director. 96.5 % of respondents reply that they always used a board of directors, 2.5 % somewhat used, 0.4 % did not know, and 0.6 % seldom used. None reported "never used". The mean was 4.95 which indicated that almost all of the participants always used a group of governing volunteers.

Another factor that was considered is this survey was talented staff. The respondents were asked about the effectively uses the talents of its paid staff in the organization. From the reply gathered, 72.2 % responded that they always used the talents of its paid staff while 20.1 % stated somewhat used 2.7 % stated seldom used and 5 % stated never used. The mean was 4.52 which

indicated that the majority of participants either always used or somewhat used talents of its paid staff.

In survey question five, the participants were asked about effectively utilizes of technology in the operation of its business. The mean was 4.23 which indicated the majority of participants either always used or somewhat used technology effectively in the operation of its business. 48.5 % responded reply that they always used a board of directors, 41.1 % somewhat used, 1 % did not know, 3.2 % seldom used and 6.2 % never used.

In the survey question six, participants were asked about social entrepreneurs and use risk taking in decision making. 43.68 % responded reply that they always used risk taking in decision making, 38.5 % stated they somewhat used, 7.2 % stated they did not know, 2.26 % stated they seldom used, and 7.36 % stated they never used. The mean was 4.05 which indicated that the majority used or somewhat use, social entrepreneurship in the activities of the nonprofit organization.

Another important question for this study was about the use of a strong marketing orientation in these organizations. 11.7 % responded stated they always used a strong marketing orientation, 41.9 % stated they somewhat used, 6.7 % stated they did not know, 27.5 % stated they seldom used, and 12.2 % stated they never used. The mean was 3.13 which indicated the marketing orientation it is somewhat used in these nonprofit organizations to guide their strategy, so only a small majority use it.

The question eight was about financially empowered, that imply the uses its own resources to be able to financially sustain its programs without the need for government or other funding. 10.8 % responded stated they were able to sustain programs without government or other funding, 32 % stated they could somewhat fund their own programs, 1.7 % stated they did not know, 28.8 % stated they seldom could support their own programs without government funding, and 26.7% stated they always had to have government or other funding. The mean was 2.71 which indicated that the majority required other funding to meet program requirements.

In the survey question nine, participants were asked about a vision for direction where it is going. 74.1 % of participants stated they used a current strategic plan as a vision for where the organization is going, 20.2 % stated they somewhat used a current strategic plan, 1 % stated they did not know, 1.6 % stated they seldom used a strategic plan, and 3.1 % stated they did not use.

The mean was 4.61 which indicated that the majority of participants either always used or somewhat used a vision.

In the survey question ten, participant were asked about tight set of control in the activities of this nonprofit organization. 55.2 % of participant stated they used tight controls in the operations of the organization, 41.1 % stated they somewhat used tight controls, 0.5 % stated they did not know, 1.9 % stated they seldom used, and 1 % stated they never used tight controls. The mean was 4.47 which indicated that the majority of participants either always used or somewhat used tight controls in the activities of the organization.

The findings of this statistics indicated a high level of use of the ten mission-based management practices by all study participants. A mean of 4.0 or higher, indicated that respondents always used or somewhat used the corresponding mission-based management practices, was reported for survey questions 1, 2, 3, 4, 5, 8, 9 and 10. However, the means for questions 6, and 7 were lower than 4.0. These two variables are the management practices most closely associated with for-profit practices would result ignoring them by in the non-profit sector.

Of interest was the finding that participants in this study reported a high usage of some of the ten mission-based management practices which are similar to for-profit management practices. But these results are in contradiction with the literature.

Nonprofit organizations in Albania are using mission-based management practices.

Conclusions:

- The concepts of marketing, finance, auditing, accounting, and strategic planning were associated with economic thought and therefore not an area of great concern to the non-profit sector in Albania because it dealt with performance as opposed to programs.
- Non-profit organizations are more program-centered as opposed to performance centered.
- Management practices are important regardless of whether or not the organization operate in for profit or nonprofit sector. Management activities sustain the organization in meeting its objective.
- Marketing is no longer defined as the provision of required goods and service at a profit it can very well applied in nonprofit sector.

- Non-profit sector is lacked the appropriate knowledge, tools, willingness, and or ability to incorporate any type of change that had for-profit ideology associated with it.
- Investment in organizational infrastructure such IT system, staff development processes, and adequate management capacity was discouraged in the non-profit organizational environment. Nonprofit, both large and small, viewed investment in organizational capacity as taking away from resources that could be applied to programs and services.
- The non-profit sector was, and continues to be, very reluctant to adopt for-profit business practices.
- The requirement of government and other providers who funded the nonprofit sector dictated how money was to be spent which forced the non-profit sector to focus solely on programs rather than performance.
- Based on Brinckerhoff s experience, the use of mission-based management practices, which for the most part replicate for-profit management practices, should eventually result in more focus on organizational capacity which in turn leads to more successful nonprofit organizations.
- The nonprofit organizations in Albania reported a high usage of the ten mission-based management practices which are similar to for-profit management practices and this contradicted the literature.
- Nonprofit sector in Albania is using mission-based management practices but, we cannot understand why the sector was using these mission-based management practices or that the sector was implementing the practices effectively or in a similar way to the for-profit sector.

Brinckerhoff (2009) stated that in order to achieve financial success it was necessary for non-profit organizations to engage in what he referred to as mission-based management practices.

The mean for financially empowered of 2.71 was not unforeseen based on the literature that most nonprofits have considerable difficulty in sustaining programs and services without others funding. Financial sustainability was cited as one of the major problems in the non-profit sector for those that rely on external funding from governments, corporations. As to whether or

not the reported high use of mission-based management practices had any relationship to annual revenue was not able to be determined using descriptive statistics.

Executives in the nonprofit sector reported an awareness of the needs and improved management knowledge which also can explain the higher than expected use of mission-based management practices found in the data for this study.

Recommandations:

Non-profit sector needs to develop different strategies for generating revenues in order to achieve financial sustainability.

The non-profit organizations in Albania must become more performance oriented and transition away from the program-centered focus currently used by the non-profit sector.

Non-profit sector needs to develop a model that can suggest how to include for-profit management practices into a non-profit activity.

To undertaken some qualitative study expanding upon the findings of this study may be very useful in determining where non-profit organizations are along the continuum of a program versus performance-based strategy. The qualitative survey provides additional insight and viewpoints on management practices in the non-profit organization.

It would not be reasonable to wait that the nonprofit organizations will adopt a performance orientation or transition away completely from a program-based strategy. Programs will always be important due to the mission-based nature of the non-profit organizations.

It is recommended that for-profit management models be examined to determine if any further transition towards a more balanced program/performance-centered focus has resulted and to determine what variables have influenced the transition.

State to enact laws that regulate the relations between state, non-profit and private sector, and to include exemptions from taxation and some incentives to the private sector.

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