

THE PERFORMANCE OF NON-GOVERNMENTAL ORGANIZATIONS

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Abstract

Operation of NGOs is dependent on the correct identification of the needs in the community and their ability to attract the necessary funds to cover them. Non-profit organizations interest to performance measuring and fulfilling the objectives has increased lately, this it become an essential element for the survival of the organization. The main reasons that underlie the increasing interest are: increasing the number of new organizations; increasing the budgetary reductions; the decrease in the number of donors; increasing the challenges arising from the multiplicity of social cases. In addition, the majority of the stakeholders associated with the NGOs want to know if the programs or services they claim have a prominent and positive impact on the community. Such organizations felt the need to demonstrate the effectiveness of the programs they provide and the correctness of using the funds are made available. The article intends to present the issues related to the concept of performance for NGOs, to clarify the content of each performance categories, namely economic performance, managerial performance and social performance.

Keywords

funds; performance; objectives; efficiency; the beneficiaries

JEL Classification

M41

1. The economic performance

The main purpose of non-profit organizations, according to the recent researches, consists still in increasing revenue (donations, grants, contracts) and in balancing the expenses so that the organization can support the programs. The financial power of nonprofit organizations is determined by their ability to attract consistently donors, to benefit from sponsorship, support and grants to be used in the services of customers' groups.

This is called the base of variable revenue and changes according to the general level of prosperity of the society in which live donors. The revenues are affected and by changes in the perception of customers' groups, either positively or negatively. A positive or an improved perception leads to the increasing of the revenues or vice versa.

The capacity to generate revenues is, also, affected by the occurrence of urgent concerns. The specific problem of this type of organization is to be strong and stable by the covering of fixed costs, without resorting to shareholders' funds or public finances.

The measurement of the performance in the non-profit sector is made according to:

- the size of donors' groups, the location of donors' groups, the donation rates and the average donations;

- the source for all donations, the proportion of each donation;

- the actual nature of donations (money, time, effort) and the intended nature of the donations;

- the share of spending on customers' groups, the desired levels of spending on customers' groups, the possible levels of spending on customers' groups;

- the access to customers' groups, the access of categories of customers within the organization.

2. The management performance

There have been identified three dimensions of performance (Medina-Borja & Triantis, 2007):

- the effectiveness or results;

- the quality of services;

- the efficiency.

The nonprofit organizations measure their performance most often traditionally by assessing the managerial activity.

The measurement system based on assessing of the performance in a managerial perspective involves the collecting of data on the planning and the use of financial resources, the productivity, the service quality and the customer satisfaction. Another approach is to assess the program, namely of the impact of the program, that it had or of the results obtained in the course thereof.

The two measuring systems are intertwined, the common point being the measurement of the quality of the offered service. Both the overlapping area and the data related to each system are shown in the figure 1.

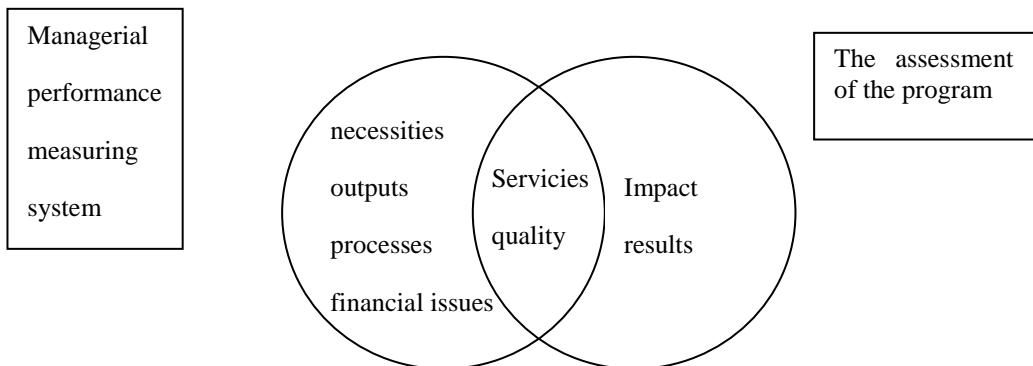


Figure 1 Overlapping area of the two approaches of measuring the performance

Source: Medina-Borja, A., Triantis, K. (2007), *A conceptual framework to evaluate performance of nonprofit social service organizations*, International Journal of Technology Management, vol. 37, no. 1-2

In order to assess how best possible at the managerial level, the non - profit organizations must develop a system of continuous internal assessment covering also the efficiency and effectiveness of the programs implemented and the decision-makers.

Indices that can shape a clearer picture on managerial performance are:

- the interdependence;
- the teamwork;
- the way to resolve the problems at the level of the task;
- the productivity;
- the safety of members;
- the degree of mutual support.

The most important thing in assessing the performance is the continuity in appreciation, measurement and evaluation of it, drawing the conclusions on a regular mood, to maintain a constant vision, so as to detect early the problems. Ideally, this is punctuated by regular organizational and team meetings in order to make reports on performances. Given that no activity takes place in complete isolation, the performance reporting should consider the effectiveness of working relationships and the coordination of activities and, also, of the legitimate interests both of those inside the organization and of those outside it.

The managers should also analyze, regularly, the measures and the indicators currently used, and how they are used to ensure that they are still valid, reliable and able to demonstrate performance. This extends at the level of the accumulated knowledge, to the generalization and the self-perception, both inside and outside the organization.

The organization and its managers will be analyzed and assessed in terms of the performance by different categories of people, in different ways. All categories of persons who come into contact with the organization will evaluate it in one way or another. These categories are:

- *the staff*: everyone who works for, and in the organization, and therefore, are dependent on it, in terms of revenues and funds raised;
- *the beneficiaries*: for the continuity of satisfaction;
- *the communities*: where the staff and the customers live and work, and where the organization operates;
- *the supporters*: people who make donations constantly.
- *competitors*: the other non-profit organizations.

The managerial responsibilities:

- to develop (and to be developed) the capacity and the assessment which is necessary to the organization, imposed by professional management in which is developing and which involves the required services;
- to take personal commitments to the organizational success and, also, to the department, to the division or to the function for which he is responsible. A high level of personal commitment is required in all occupations, in all spheres of activity and evaluation, this is also applicable to the management and to the managers;
- to develop a full range of managerial skills and qualities required by the profession of manager. This includes the ability:
 - o to solve problems;
 - o to manage people;
 - o to establish performance standards;
 - o to use the resources efficiently and effectively;
 - o to establish and evaluate the budgets;
 - o to recognize the constraints;
 - o to identify the operations to be performed;
 - o to manage a positive, open and harmonious culture and attitude.

The general managerial performances (Verboncu, 2006):

a. The methodological and general managerial performances - refers to the degree of scientific content of the organization management.

This is expressed quantitatively on the base of the number of systems, methods and management techniques used at one time to exercise the management processes and the involved functions. Qualitatively is achieved by making them operational. The measure of the performance is given by the degree of involvement and of participation of the managerial tools in the exercise of managerial processes, given by the number and the proportion of systems, methods and managerial techniques that managers call for exercising of each function. In the same time, it is necessary to add the managerial skills that are given, mainly, by the knowledge in the field of knowledge that managers have managers from the organizational echelons of the organization.

b. The general decision-making performance - refers to the degree of solving decision problems in the organization.

This type of performance is determined as the ratio between the number of decisions taken at the level of the organization and the number of problems it has faced at one time. The application rate of the decisions is another performance which is determined by the initial actions in the field led to the implementation of decisions. This is determined both on the whole management and on the organizational echelons.

c. The overall information – managerial management

The degree of satisfaction of information needs of managers for the three levels (top, middle and bottom) is determined as the ratio between the amount of information provided and the amount of information required for each level. Following the same algorithm it is determined the degree of satisfaction of the informational needs of performers.

d. The general organizational performances

The degree of achievement of the objectives to be achieved in a while highlights the extent in which the sizing of work processes meet the needs imposed by the five categories of objectives. The degree of structural / organizational coverage of work processes involved in achieving the objectives - any procedural component must have a properly delimited organizational-structural support in order to be exercised. If these correspondences are not considered, inevitable will arrive to not reach the objectives.

The researches conducted in the field of performance of management committees (Brown, 2005):

- Bradshaw (1992) focused on the relationship between the structures and the processes of management committees and their performances, but also between the performance of management and organizational effectiveness;
- Chait (1991) attempted to identify the competences of management committees or the behaviors that were associated with their effectiveness – it were discovered six competences, then a self-assessment questionnaire was developed to assess them;
- Jackson and Holland (1998) examined the reliability, the sensitivity and the validity of the instrument and the relation between this and organizational effectiveness;
- Green and Griesinger (1996) conducted a study focused only on the analysis of the relationship between performance of management committee and organizational effectiveness;
- Herman and Renz (1999) examined the relationship between various factors, including the effectiveness of the management committee and the prestige in one hand and organizational performance in other hand.

3. The social performance

Social performance is represented by the contribution of the work undertaken by NGOs in community development through: encouraging public institutions in making

decisions; greater awareness of the legal framework; expressing the point of view of public opinion; aid granted for the preparation of local development strategies; provide opportunities for the participation of citizens, in the largest possible number, to the public's decision.

An NGO can play a vital role in society by identifying some strands, overlooked by the public authorities. They can tackle niches identified through the use of organizational capacities and human resources can provide assistance or the authorities.

It has been shown that associations which are more involved in socially (through organizing charitable events through the actions of environmental or community development) can benefit from a higher capital in comparison with those that do not are equally involved.

Social performance can be defined as the ability of NGOs to meet the expectation of a diverse group of stakeholders, which will lead to financial performance. The relationship is valid and vice versa. They operate in complex environments with many stakeholders including: the Board of Directors, volunteers, donors, agencies, government officials, recommending clients or participants.

One of the main concerns for these organizations is represented by way of monitoring and management of relations with these stakeholders. They are a source of uncertainty for NGOs. From their perspective, the relationship established with NGOs is based on the manner in which their expectation are met and how they are treated by members of the organization (Ciucescu, 2006).

During the past 20 years, the methodology and tools of social performance evaluation have enjoyed a continuous development. Different approaches for measuring the social return on investment (SROI) as well as internal rates of return are the most popular methods of analyzing the impact of the investment.

Social Return of Investment (SROI) is a framework of understanding, management and measurement of results of activity of the organization. SROI encompasses a wide range of outcomes: social, economic, environmental. This analysis is based on the involvement of stakeholders in the determination of those results that are more relevant. SROI evolved from social accounting and cost benefit analysis and has much in common with other methods of analysis of the results. However SROI differentiates from other methods, because it assigns a monetary value of results, so that they can be collected, and the values obtained are compared with the investments made. SROI values depicting the story of the investment made, including both quantitative findings and qualitative ones. The information provided by these values helps organizations maximize profits.

Internal rate of return (IRR) is a tool used by NGOs for the assessment of cash flows. Hazen (2003) States that when used properly, can be a valuable tool for acceptance and selection of investment projects.

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