

# Strategic Management Methods in Non-profit Making Organization

P. Řehoř, D. Holátová, V. Doležalová

**Abstract**—Paper deals with analysis of strategic management methods in non-profit making organization in the Czech Republic. Strategic management represents an aggregate of methods and approaches that can be applied for managing organizations - in this article the organizations which associate owners and keepers of non-state forest properties. Authors use these methods of strategic management: analysis of stakeholders, SWOT analysis and questionnaire inquiries. The questionnaire was distributed electronically via e-mail. In October 2013 we obtained data from a total of 84 questionnaires. Based on the results the authors recommend the using of confrontation strategy which improves the competitiveness of non-profit making organizations.

**Keywords**—Strategic management, non-profit making organization, strategy analysis, SWOT analysis, strategy, competitiveness.

## I. INTRODUCTION

THE origin of strategic management is being connected with mid-eighties of the 20th century that are characterized by growing rate of competition, increasing pressure to innovate and rising orientation towards customers. The aim of the management was to find and realize strategy that would represent a competitive advantage. Similarly organizations of non-profit sector started using principles of strategic management to a great extent. Opponents of strategic management argue there are considerable dynamics of changes in external environment, unclear output of strategic analysis, generality of strategic targets and demandingness of the whole strategic management process. Generally, however, a prevailing opinion is that success or failure of an organization depends mainly on strategic decision-making. Strategic management in an organization should ensure that things do not occur randomly but according to defined long-term aims set in advance and directed by visions of their owners.

A non-profit private sector is described in literature [1]-[3] as a sector resting between the state and the market, sector of non-governmental organizations, voluntary or civic. Sometimes it is referred to as social economy, which is made of private economic subjects pursuing social or environmental objectives, but not necessarily having non-profit characteristics [4]. About the heterogeneity of the non-profit

sector, see also [5]. Sir Francis Bacon's famous phrase is equally applicable to non-profit organizations (NPOs), which represent the larger umbrella of organizations in all non-profit fields, such as social services, animal welfare, culture and recreation, international and overseas aids, environment and personal development [6].

When uncertainty and change are continuous, organizational leaders must be open to changing goals and activities in light of shifting circumstances within the internal or external environments. Therefore, a process is needed to monitor, review, and continuously provide feedback to organizational leaders. Strategic management and strategic planning are not one-shot approaches. Instead, they are ongoing and fluid [7]. It is important to understand how organizations survive in the dynamic environment which poses the many challenges and opportunities in the global marketplace [8].

The strategic management of the organization is both a process and a way of thinking about specific elements of an organization such as stakeholders, short-term/long-term perspectives, organizational goals/objectives, and the delineation between effectiveness and efficiency [9]. Strategic management is a continuous complex process of managerial activities that determines the company's targets and a strategic course to reach these specified targets, it participates on their realization and fulfilment [10]. Strategic management can be interpreted as a set of managerial decisions and actions of an organization that can be used to facilitate competitive advantage and long-run superior performance over other organizations [11], [12].

Strategic management activities are focused on reducing weaknesses of an organization and taking advantage of their strengths, in advance they should anticipate future problems and possible opportunities [13]. Aims of development, created and realized, within strategic management bring comparative effect [14] or competitive advantage to organizations [15]. Strategic management in non-profit organizations is characterized by varied purposes and expectations of various groups, multi-source financing, influence of donors, high proportion of resources from government or sponsors and also the fact that receivers of services do not necessarily have to contribute [16].

The first issue is the appraisal of the internal circumstances and resources of the enterprise, its capability (what it can do), its ability to generate value, and its sources of comparative or competitive advantage. The second issue is the summary analysis of the relevant external environments and competitive contexts within which the organization operates [17]. If

P. Řehoř and D. Holátová are with the University of South Bohemia, Faculty of Economics, Studentska Street 15, 370 05 České Budějovice, Czech Republic (e-mail: rehor@ef.jcu.cz, holatova@ef.jcu.cz).

V. Doležalová is with the University of South Bohemia, Faculty of Economics, Studentska Street 15, 370 05 České Budějovice, Czech Republic (phone: 420387772486; e-mail: vdolezalova@seznam.cz).

strategy is supposed to be successful it's essential that it is not in disagreement with interests of decision-making interest groups. Outcome of an analysis should be to define, in final stage, how to work with individual interest groups involved [18]. Because a non-profit organization requires feedback from its members, it expresses its endeavour to ensure satisfaction of a main interest group which is a decisive factor to maintain or expand a membership base of an organization [19].

Porter's Five Forces combines an analysis of competitive actions (or rivalry) between firms, with the horizontal threat of new entrants and substitutes and the vertical power of buyers and suppliers to determine the attractiveness of an industry and identify possible sources of profitability [20].

Nearly all methods of performing strategic planning utilize an examination of the company and the competitive environment. On the specific technique for examining these organization traits is commonly called Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis. This examination is often the first step in formulating a strategy based on a full understanding of capabilities [21].

However, the prevailing SWOT analysis process has been criticized for its simplicity and generalization [22], indiscriminate lists involving typical procedural guidelines that lack explicit theoretical underpinnings [23], and the rigid descriptive nature of meandering haphazardly from one standalone SWOT variable to another, which often dangerously generates misleading results in the strategic management process [24]. To become successful, a non-profit organization has to have a clear mission, strong vision, well specified targets and it should be customer oriented. If these criteria are not fulfilled or if, according to SWOT analysis, there are more weaknesses than strengths then the organization needs reassessment [25].

## II. MATERIALS AND METHODS

The objective of this paper is to evaluate the competitiveness of the non-profit making organization on the basis of strategic management methods and to propose a strategy aimed at increasing its competitiveness. The reference entity is a voluntary private mutually beneficial non-profit making organization established in order to protect interests of its members. The vision of the organization is to become a respected and recognized umbrella of non-state forest owners in the Czech Republic. The pillars of main organization activity are advocacy activity, community features, consultant services, education and common wood sale. The first operational objective of this paper is to identify groups or organizations which influence the non-profit making organization and which are also affected by this organization. The other operational objective is to map needs and requirements of the members, because they are the most important stakeholders.

The monitored subject is a non-profit organization of private-law type with nationwide activities, which associates owners and keepers of non-state forest properties. Primary data within the field research were obtained via questionnaire

inquiries carried out in October 2013 by means of e-mail among members of an organization. 530 members were addressed. 84 respondents replied to questionnaire. A rate of effectiveness of data collection amounts to 16 %. Introductory questions were focused on circumstances of respondent's membership acquirement in the organization and his or her membership in rival organizations. Matter-of-fact questions referred to activities of an organization, opportunities and threats of a membership in an organization, satisfaction with strategic management and internal organization.

Among the methods of strategic management, those were used, were analysis of stakeholders, analysis of five competing forces emerging from Porter's model and SWOT analysis. Individual factors having impact outside and inside of an organization are evaluated from a standpoint of importance through pairwise comparison method, with the help of Fuller's triangle. Based on a result of pairwise comparison, with reference to Porter's approach [26] and Ansoff's matrix [4], a proposed strategy was formulated, which should increase competitiveness of an organization.

## III. RESULTS AND DISCUSSION

Main interest groups identified in a monitored organization were: association members, members of managing authorities, employees, users of services, suppliers, competing organizations, central government authorities, regional authorities, donors and sponsors, mass media, forest owners – non-members, general public. Resulting matrix (Fig. 1) shows that it is necessary for an organization strategy to accept requirements of a membership base which is logically the interest group with the greatest influence. An organization would have its competitors that also associate forest owners, but don't concentrate only on forestry - it regards primarily a Union of Towns and Municipalities of the Czech Republic and an Association of Private Farmers, to convince of further co-operation. It should also bring around central government authorities and regional authorities about its contributions and positive influence upon society, since they have a great influence on a mission and operation of an organization.

Existing competitors are considered to be one of the most significant factors that influence competitiveness of a non-profit organization. Since the primary aim of a non-profit organization is not gaining profit, there is no point in comparing economic indicators with competitors in order to assess a competitive position, but it makes sense to compare resources, composition of projects, prices of products that competitors offer, or a brand image. Competitive advantage of an organization is a focus on an appropriately chosen segment. The organization differentiates from competition because it associates forest owners and professional foresters and it also specializes in forestry industry.

5  0	Protect	Influence	Good relation
	Employees	Association members Members of managing authorities Competing organizations – associate forest owners Central government authorities Regional authorities	
	Low priority	Monitor	
	Suppliers	Users of services Competing organizations – in forestry and environment Mass media Forest owners – non-members General public	9

Fig. 1 Stakeholders matrix analysis

An outcome of questionnaire inquiries is: 75% respondents have been members of an organization for many years, more than 50% respondents are only members of a monitored organization, 59% members found out about the organization from another member, more than half of respondents consider activities of an organization very important or rather important. On average, satisfaction with realization of activities of an organization corresponds to assessment outcome rather satisfied, but 79% respondents would welcome them to be more frequent or varied. More than 90% respondents assess policy of an association and consider it open or rather open and perceive an organization to be democratic. None of the respondents have reservations about articles of association or about set of rules for contribution. More than 50% respondents did not find any weaknesses concerning membership in an organization; regard them to be well informed about offered services, activities and results of an organization, they are satisfied with conduct and approach of employees as well as with overall activities of an organization. The results of the study prove that members of an organization are satisfied (2,1), but there is still a lot to be improved.

Assessment outcome very satisfied was awarded by most respondents to information service (63%), to members and to commenting on legislation (58%). More than half of the respondents expressed satisfaction with publishing professional and specialized books, organizing specialized seminars, methodical and legal help, co-operation with international organizations, developing community, influencing general meaning and dealing with public authorities. Pedagogy regarding forestry, assessing professional quality and joint purchase of seedlings was mostly assessed as I don't know. Quite high percentage (43%) of respondents didn't assess common trading. Perhaps because they don't use this service.

An activity that was assessed to be the worst of all was joint purchase of seedlings (17%), influence of public opinion (9%)

and common trade (9%). Since most members consider public opinion and common trade to be very important or rather important activities, the management of an organization should find out reasons for dissatisfaction of members and strive for improvement of the situation.

What are you missing in an existing association? What are you interested in? 79% respondents expressed their opinions about offered options. The greatest interest recorded was in completing applications for grants and subsidies from programs co-financed by EU. Order of other activities is as follows: arranging nationwide advertisement, pricing and estimation of forest properties and vegetation, assessment of economic potential of forest properties, provision of forest services for owners of smaller forest properties, other activities – here respondents mentioned for example: creating model forest economic plan, full legal service for managing directors and for executive directors, activity to support management of an own organization, information about results of research and new technologies. Only individual proposals were pondered.

What is, according to your opinion, an opportunity for further development of an organization? Fig. 2 shows clearly that 13% respondents consider maintaining good reputation to be an opportunity for further development of an organization, 12% respondents think that an opportunity lies in church restitutions whose resolving could enlarge a member base of an organization, 5% respondents are convinced an organization could gain benefit through co-operation with other subjects in forestry (forestry schools, research institutes).

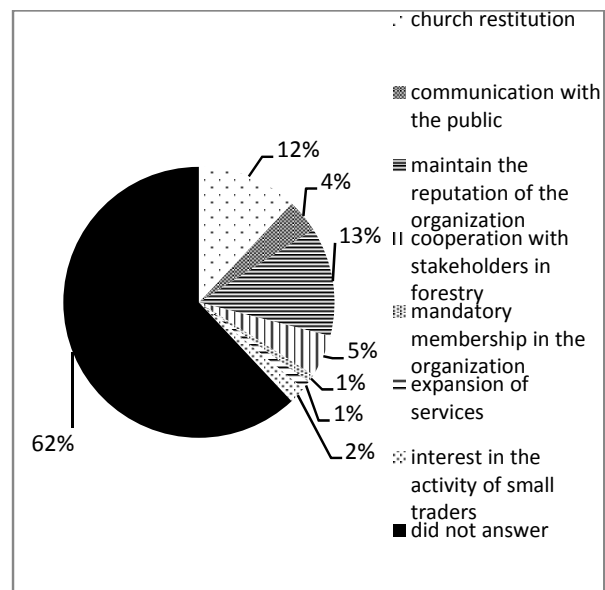


Fig. 2 Opportunities for development

An overview of all SWOT factors of an organization that were expressly stated by members in questionnaire inquiries is further down in this document. Individual factors are in a descending order according to their percentage relating to the total number of respondents.

**S:**

1. specialization in an appropriately chosen segment,
2. a preponderance of society-wide valuable and beneficial programs and activities,
3. a long-term increase in own resources of an organization,
4. solid quality management,
5. provision of outstanding service (joint wood trade for members),
6. a good reputation of an organization,

**W:**

7. a little influence on forest economy and political parties,
8. passivity of the member base,
9. limited offer of services,
10. a small member base according to number of non-state owners in the Czech Republic,
11. general public is not aware of an organization,
12. an insufficient use of grants and subsidies from EU funds,

**O:**

13. maintaining a good reputation, greater activity of a member base as well as committee,
14. church restitutions, enlarging member base,
15. co-operation with forestry research, forestry schools and selected competitors,
16. communication with public,
17. broadening scope of interests and service portfolio,
18. improving existing services and internal communication,
19. gaining status of public usefulness,

**T:**

20. owners are legally obliged to be members of an organization related to their profession,
21. lack of interest in political stage concerning problem solving regarding non-state forest owners,
22. poor development of national economy, crisis in public budgets,
23. increasing passivity of a member base,
24. situation on the market referring to wood, stagnation of joint trade,
25. radical changes in management of local administration,
26. ageing population and change of lifestyle.

After SWOT factors have been specified, it is possible to summarize acquired results with the help of a pairwise comparison method. This method compares strengths, weaknesses, opportunities and threats, so called Fuller's triangle is used during this method. Every criterion is examined through gauging number of preferences in relation to other criteria in the aggregate. The total sum shows that strengths of the organization (28%) exceed its weaknesses (16%) and threats (29%) outweigh opportunities (27%). For this situation literature [10] recommends a „Confrontation strategy“ which transforms threats into opportunities with the use of strengths. To determine a company-wide strategic course for the monitored organization it seems, according to Porter, that it is possible to achieve competitive advantage through substantial differentiation from competition. With regard to growth potential of an existing market it is also possible, according to Ansoff classification, to recommend the strategy for market penetration in combination with the

introduction of new services on the existing market.

On the basis of above mentioned, it is possible to propose strategic aims to increase competitiveness of the organization as follows:

1. take advantage of the organization structure (forest owners and foresters, well known people, large towns) and through increasing internal and external communication motivate members to be more active and strengthen the position of the organization,
2. through realization of valuable and beneficial programs for society motivate other forest owners to become members, have positive influence on public and encourage political stage to deal with problems of forest owners in a responsible manner,
3. through improving and spreading existing services increase satisfaction of members and attract attention of other owners, seek new opportunities to develop joint wood trade, expand member base,
4. maintain good reputation of the organization with expert public and convey it to the general public to be aware of it, co-operate with competitors and other interest groups,
5. generate positive cash flow of the organization and take advantage of own resources to co-finance subsidy programs focused on education, communication and pursue interest in forest and forestry among children and young people.

## IV. CONCLUSIONS

In order for the organization to be strategically managed with success, it has to know answers to questions such as: reason for its existence, who are its clients, how structure and needs are changing through time, if it is successful in meeting their needs, if it has sufficient financial and human resources, if there are exploitable opportunities to expand its activities. There are many methods used in strategic management to find out these facts.

With regard to above mentioned, the specification was rendered to bring out possibilities and benefits of expanding a member base which, besides maintaining financial stability of the organization and its independence, could also strengthen its influence within advocacy function and enable spreading the offered services as well as valuable and beneficial programmes for society. A road to future development of the organization seems to be through an active co-operation with representatives of other interest groups, selected competitors, an improvement of internal processes of the organization and producing plan for marketing communication. The contribution of the article lies in creating strategy for further development of the organization and finding out opinions of the main interest group via questionnaire inquiries.

## ACKNOWLEDGMENT

This paper was supported by the GAJU 039/2013/S.

## REFERENCES

- [1] L. Tetřevová and O. Medlíková, *Veřejný a podnikatelský sektor*. Praha: Professional Publishing, 2009.
- [2] J. Rektřík, et al., *Organizace neziskového sektoru: základy ekonomiky, teorie a řízení*. Praha: Ekopress, 2010.
- [3] P. F. Drucker, *Řízení neziskových organizací: praxe a principy*. Praha: Management Press, 1994.
- [4] P. Bachmann, *Management neziskové organizace*. Hradec Králové: Gaudemus, 2011.
- [5] V. Hyánek, *Neziskové organizace: teorie a mýty*. Brno: Masarykova univerzita, 2011.
- [6] E. Kong, "The development of strategic management in the non-profit context: Intellectual capital in social service non-profit organizations", *International Journal of Management Reviews*, vol. 10 (3), pp. 281–299, 2008.
- [7] S. Taneja and M. E. Pryor, et al., "Strategic management in an Era of Paradigmatic Chaos: Lessons for Managers", *International Journal of Management*, vol. 30 (1), pp. 112–126, 2013.
- [8] T. Hundsnes and B. C. Meyer, "Living with paradoxes of corporate strategy: A complexity perspective", *Journal of Organizational Change Management*, vol. 19 (4), pp. 437–446, 2006.
- [9] M. Fairholm and M. Card, "Perspectives of strategic thinking: From controlling chaos to embracing it", *Journal of Management and Organization*, vol. 15 (1), pp. 17–30, 2009.
- [10] I. Tichá and J. Hron, *Strategické řízení*. Praha: Česká zemědělská univerzita, 2010.
- [11] T. C. Powell, "Competitive advantage: logical and philosophical considerations", *Strategic Management Journal*, vol. 22, pp. 875–888, 2001.
- [12] T. L. Wheelen and J. D. Hunger, *Strategic Management and Business Policy*. NJ: Prentice Education, 2011.
- [13] H. Sedláčková and K. Buchta, *Strategická analýza*. Praha: C. H. Beck, 2006.
- [14] V. Lednický, *Strategické řízení*. Ostrava: Repronis, 2006.
- [15] L. Vodáček and O. Vodáčková, *Moderní management v teorii a praxi*. Praha: Management Press, 2009.
- [16] G. Johnson and K. Scholes, *Cesty k úspěšnému podniku: stanovení cíle, techniky rozhodování*. Praha: Computer Press, 2000.
- [17] T. Morder, *Principles of Strategic Management*. Ashgate Publishing Limited, 2007.
- [18] M. Šedivý and O. Medlíková, *Úspěšná nezisková organizace*. Praha: Grada Publishing, 2009.
- [19] P. A. McHatton, et al., "Results from a Strategic Planning Process: Benefits for a Nonprofit Organization", *Nonprofit Management and Leadership. Wiley*, vol. 22 (2), pp. 233–249, 2011.
- [20] M. E. Porter, "The five competitive forces that shape strategy", *Harvard Business Review*, vol. 86 (1), pp. 78–93, 2008.
- [21] H. R. Seifi and A. Sazvar, "Strategic Analysis & Strategic Planning Barriers", *Interdisciplinary Journal of Contemporary Research in Business*, vol. 3 (11), pp. 851–859, 2012.
- [22] E. K. Valentin, "SWOT analysis from a resource-based view", *Journal of Marketing Theory and Practice*, 9: 54–69, 2001.
- [23] Y. K. Ip and L. C. Koo, "BSQ strategic formulation framework: a hybrid of balanced scorecard, SWOT analysis and quality function deployment", *Managerial Auditing Journal*, vol. 19, pp. 533–543, 2004.
- [24] S. F. Lee, K. K. Lo, R. F. Leung and A. S. O. Ko, "Strategy formulation framework for vocational education: integrating SWOT analysis, balanced scorecard, QFD methodology and MBNQA education criteria", *Managerial Auditing Journal*, vol. 15, pp. 407–423, 2000.
- [25] N. D. Willinger, "Analyzing non-profit organizations: managerial frameworks and evaluation", *Journal of Global Business Issues*, vol. 3(1), pp. 61–66, 2009.
- [26] H. Horáková, *Strategický marketing*. Praha: Grada, 2003.