Understanding the Success of Global Non-Profit Organisations

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Abstract

Purpose: The study's goal was to examine the factors influencing the success of global NPOs. In this study, five factors, namely, People, Business Model, Operations, Strategy and Culture were used to determine the sustainability of the Nonprofit Organization.

Methodology/ Approach: A pilot study was conducted with a sample of 10 active members of one global non-profit, namely AIESEC, from India. IBM SPSS was used to test the reliability of the instrument. IBM SPSS will be used to test the conceptual model and to validate and statistically analyse the results.

Findings: At this stage, we have done a pilot study with 10 samples to validate the instrument. Subsequently, the data collection will be done in the next three months. And the analysis will be performed in order to find the significance of the factors.

Implications: Non-profit organisations are playing an important role in societal benefit, and hence their sustainability is essential. Any global NPO can use the results from the study to strategise and ensure their long term existence.

Keywords: NPO, Sustainability, Culture, Strategy, Business Model.

Introduction

When we try to understand businesses, most of us might be familiar with for-profit organisations that comprise the majority of businesses in today’s world. Their primary motive being maximising profits and organisational growth. (Media, n.d.).

An organisation that exists for motives other than that of making profits, such as charities, social clubs, universities, churches are some examples of non-profit organisations. What drives these NPOs to keep working is the constant urge to bring a positive change in society, work for societal welfare and make the world a better place (Media, n.d.).

1876 was the year when the first non-profit organisation named “The Peabody Education Fund” was created and was regarded as the first modern significant independent foundation. Followed by “The Cleveland Welfare Council” – 1914, “The Revenue Act” – 1917, “The Council on Foundations” – 1949, “Filer Commission” – 1973, and “Independent Sector” – 1980 (Six Important Moments in the History of the Non-profit Sector, n.d.).
Currently, there are approximately 10 million active non-profits and non-governmental organisations worldwide (nonprofitaction.org). In the United States, there are around 1.3 million organisations (National Council of Nonprofits). Non-profit organisations make up 5-10% of the US economy and employ about 10% of the country’s workforce (Stanford Social Innovation Review). The non-profit sector in the United States employs over 11.9 million people (one out of every ten working Americans), making it the third-largest employer in the country (Johns Hopkins Center for Civil Society) (Conrardy, 2020).

Non-profits do not exist only on contributions, contrary to popular opinion. During a study, it was found that about 48 percent of revenue for such non-profit organisations comes from fees for the programs, goods and services, 33 percent comes from the government, and about 13 percent comes from donations and the rest 6 percent from investments and other sources (Conrardy, 2020).

Non-profits are consistently emerging and becoming a very important area of concern for the overall economic development of a Nation. Each day the world is witnessing an increasing number of non-profits that is also influencing people to actively take initiatives to work with the non-profits for societal upliftment and progress. It is therefore critical to research this industry and find solutions to the significant issues it faces in order to ensure the long-term viability of such organisations (S.-I. Ceptureanu et al., 2017; S. Ceptureanu et al., 2018).

Non-profits face a major problem with long term survival, which is also termed sustainability. Non-profits are known for their motive towards the accomplishment of social objectives, and it therefore becomes a very difficult task to define the success and failure of the organisation and hence to assure the sustainability. Hence there exists a lot of uncertainties to determine whether any non-profit organisation will ensure its long term survival or not. (S.-I. Ceptureanu et al., 2017; Peter, 2010; Sawhill & Williamson, 2001).

In this study, we tried to understand what are the factors that result in the long term survival of a non-profit organisation and how can we estimate whether any NPO is going to be successful or not and determine organisational sustainability.

**Literature Review**

In this section, we detail the literature related to the factors influencing the sustainability of non-profit organisations.

Scholars have tried to explain the sustainability framework for the non-profit sector through various methods. A lot of them tried to do so by focusing on financial performance, while some tried to understand the patterns. There are also scholars who tried to explain sustainability through success and failure. (Baruch & Ramalho, 2006; S. Ceptureanu et al., 2018; Kaplan, 2001; Moore, 2003).

Helmig et al. (2014) mentioned that financial performance ratios and survival had gained the importance of NPO success because of increasing commercialisation and competition in the non-profit sector. They also talk about the three most prominent explanatory theories for organisational failure (population ecology theory, resource dependence theory and neo-institutionalism) (Helmig et al., 2014).

S.-I. Ceptureanu et al. (2017) considered three determinants; Cognitive competence, social awareness, and financial vulnerability, as well as two types of results: economic and social (S.-I. Ceptureanu et al., 2017).

(S. Ceptureanu et al., 2018) tries to explain the sustainability of non-profits using success factor analysis. (S. Ceptureanu et al., 2018) used a conceptual model to measure perceptions on five factors related to sustainability: Business Model, People, Strategy and Culture, Operations. Ceptureanu et al. (2018) concluded that there are significant differences in the perceptions of sustainability depending on respondents’ previous failure experiences.
Hypothesis and Conceptual Model

People
People are the one that builds the organisation. They comprise the organisation and are the reason behind the existence of the non-profit organisation. It is therefore critical to understand and examine the importance of people starting from recruitment, consistency, performance appraisal, volunteer engagement, degree of retention, and rewards and recognition (S. Ceptureanu et al., 2018).

H1: People has a positive significant influence on Non-Profit Organisational sustainability.

Business Model

Even though the non-profit organisations are not focused on making profits, but it is still a business, and therefore it has to have a model on which the organisation would work. In order to understand various revenue sources, data-driven decision making, effective event management, and also to understand the importance of non-profit key issues in national and local media (S. Ceptureanu et al., 2018).

H2: Business Model has a positive significant influence on Non-Profit Organisational sustainability.

Operations

Operation is also called the backbone for the existence of non-profits. It is how the organisation tries to cater to its customers. In order to understand the efficiency, quality control, investments and training and development of members (S. Ceptureanu et al., 2018).

H3: Operations has a positive significant influence on Non-Profit Organisational sustainability.

Strategy

Strategy is the systematic approach to charting an organisation’s future business activity. Here we tried to understand the impact and results, engagement of external stakeholders, investment in revenue generation and emphasis on new revenue sources (S. Ceptureanu et al., 2018).

H4: Strategy has a positive significant influence on Non-Profit Organisational sustainability.

Culture

This comprises of shared assumptions, beliefs, values, expectations, rules and predominant practices collectively held by members of an organisation. It also explains the predominance of mission-rooted values in management and the inclusiveness of decision making (S. Ceptureanu et al., 2018).

H5: Culture has a positive significant influence on Non-Profit Organisational sustainability.
Research Methodology
A pilot study was conducted with a sample of 10 active members of one global non-profit, namely AIESEC, from India. IBM SPSS will be used to test the conceptual model and to validate and statistically analyse the results.

Sampling Procedure
Convenience sampling was used in order to collect data. It is a nonprobability sampling in which people are sampled because they are convenient sources of data for researchers.

Instrument Development
A structured questionnaire was used from the respondents, a seven-point Likert scale. The scale items for People, Business Model, Operations, Strategy and Culture. Online google form was used which consisted of 23 questions. 3 to 5 questions were used for each factor, resulting in a total of 20 questions to determine the factors influencing the sustainability of the non-profit organisation. The Likert scale used in the questionnaire ranges from 1 to 7 (1 as strongly disagree and 7 as strongly agree).

Data Collection
Since we have done a pilot study, additional data collection will be done in the next three months, and we expect to collect 250 samples for the study from various countries worldwide.

Data Analysis
IBM SPSS will be used for the statistical analysis in this study for the reliability, validity and inferential statistics.

Descriptive Statistics
From the sample of 10 respondents, (a) 60% were male, and 40% were females (b) 100% were students (c) 50% were of the age of 20, 10% in the age of 18, 30% in the age of 21 and 10% in the age of 24.
Instrument Validity

A reliability Test (Cronbach alpha) was performed on the pilot study using IBM SPSS. The resulting value of Cronbach Alpha was found to be 0.930 for 20 items. This validates the internal consistency of all the items as part of this study. The Cronbach Alpha for each factor is detailed in Table 2, which is greater than the recommended value of 0.7 (Hair et al., 2010; Sankaran & Chakraborty, 2022).

Table 1: Reliability Checks (Cronbach Alpha) for this Study

| Factor       | Cronbach Alpha | Items Removed                          |
|--------------|----------------|----------------------------------------|
| People       | .778           | PP4 and PP5 due to low reliability score (-.18 and .20) respectively |
| Business Model| .838           |                                        |
| Operations   | .858           |                                        |
| Strategy     | .723           | ST4 due to low reliability score (.05)  |
| Culture      | .778           |                                        |

Conclusion

Through this pilot study, we tried to understand the non-profit sectors and their contribution to the overall economic development of the world. We have understood and analysed factors that determine the sustainability of non-profits and also why is it so much important for non-profits to exist in the world. We also plan to conduct a Competitive analysis of the Non-profits in India and that of other countries.
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