Subject: Management

Paper: 3, Strategic Management
Module: 34, Corporate Culture and Strategic Management

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### Description of Module

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| Objectives         | 1. Significance of the voluntary non-profit sector in India;  
                    | 2. To understand why the voluntary non-profit sector has begun adopting strategic management models and tools; |
| Keywords           | Non Profit Organization, Non Business entities; Strategic Alliances |

### Learning Objectives:

The Learning objectives of the module are to explore relationship between corporate culture and Strategies, to address the following questions:

1. What is the role and Scope of Non Profit Organizations?
2. How does Non Profit Organization adopted strategic Management
3. To know the impact of competition on Non Profit Organizations.
1. Introduction
The foundation of an organization (Profit/ Non-Profit) strategic plan is based on its vision and mission. A good strategic plan includes involvement of all vital resources including staff resources, time and financial resources (Budget etc.) A Profit making organization aims to achieve profits whereas; nonprofits’ objectives and effectiveness are different. In principle, nonprofits provide a service and/or program to meet a defined community need. Functionally, Non Profit Organizations are the most common type of societal institutions that do not have commercial interests. However, they are not the only category of non-commercial organizations that can gain official recognition.

Following YouTube link explains the functional difference between Profit and Non-Profit Organizations
https://www.youtube.com/watch?v=9FdUNGcBbM4
The video highlights difference between profit and non-profit organization in terms of functionality and scope of operations.

1.1. Importance of Strategic Planning in Non Profit Organization
Strategic planning is essentially an organization alignment process and can be used by any organization (Profit/ Non Profit), to establish its long term and short term goals as well as to review effectiveness of operations on periodic basis. Therefore, Strategic planning is to provide a non-profit with an integrating mechanism that focuses on a desired future, confirms the organization’s mission, establishes long term goals and establishes a short term action plan to achieve its goals. Therefore, the goal of a for-profit company is to return dividends to shareholders or profit to owners over time.

2. Definition
2.1. Non-Profit Organization: A Non Profit organization (NPO, also known as a non-business entity) is an organization the purpose of which is making a profit. A non-profit organization is often dedicated to furthering a particular social cause or advocating for a particular point of view. In economic terms, a non-profit organization uses its surplus revenues to further achieve its purpose or mission, rather than distributing its surplus income to the organization’s shareholders (or equivalents) as profit or dividends. This is known as the non-distribution constraint. The decision to adopt a non-profit legal structure is one that will often have taxation implications, particularly where the non-profit seeks income tax exemption, charitable status and so on.

2.2. Strategy: Strategy is the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals. Strategy provides the stability of consistent direction and orientation while permitting the flexibility to adapt to changing circumstances. Strategy is the direction and scope of an organization over the long term, ideally which matches its resources to its changing environment and in particular its markets, customers and clients so as to meet

2.3. Strategic plan: is a tool that provides guidance in fulfilling a mission with maximum efficiency and impact. If it is to be effective and useful, it should articulate specific goals and describe the action steps and resources needed to accomplish them. As a rule, most strategic plans should be reviewed and revamped every three to five years.

2.4. Operating plan: Operating Plan is a coordinated set of tasks for carrying out the goals delineated in a strategic plan. It thus goes into greater detail than the strategic plan from which it is derived, spelling out time frames and the roles of individual staff and board members, for example. It also has a shorter horizon than a strategic plan — usually one fiscal year

2.5. Business plan: A Business Plan is typically focused on the actions and investment necessary to generate income from a specific program or service. A business plan includes
information about an organization’s products, competitive environment and revenue assumptions.

2.6. **Mission Statement**: A brief expression of the organization’s purpose. It should answer the questions “Why do we exist?” and “What, at the most basic level, do we do?”

2.7. **Vision Statement**: A description of the organization’s desired future state. An organizational vision statement is internally focused: It projects the future in terms of the program, budget or staff size, answering the question “Where do we want to be?”

2.8. **Goals and Objectives**: These express desired outcomes and may be focused on discrete parts of the organization’s programming or internal operations. Progress toward achieving goals and objectives should be measurable. While the terms are often used interchangeably, goals are generally more comprehensive or far-reaching than objectives. Framed clearly, they answer the question “What do we want to accomplish?”

2.9. **Strategies and Tactics**: These consist of approaches or sets of activities needed to achieve the goals and objectives. They answer the question “How will we actually accomplish our work?”

3. **Objectives and Goals of Non-Profit Organization**

Some NPOs may also be a charity or service organization; they may be organized as a profit corporation or as a trust, a cooperative, or they exist informally. A very similar type of organization termed a supporting organization operates like a foundation, but they are more complicated to administer, hold more favourable tax status and are restricted in the public charities they support. Their goal is not to be successful in terms of wealth, but in terms of giving value to the groups of people they administer to.

3.1 **Functions of Non Profit Organization**
Non Profit Organization (NPOs) has a wide diversity of structures and purposes. For legal classification, there are, nevertheless, some elements of importance:

- Management provisions
- Accountability and auditing provisions
- Provisory for the amendment of the statutes or articles of incorporation
- Provisions for the dissolution of the entity
  - Tax statuses of corporate and private donors
  - Tax status of the founders.

### 3.2 Formation and structure

In India, non-governmental organizations (NGOs) are the most common type of societal institutions that do not have commercial interests. However, they are not the only category of non-commercial organizations that can gain official recognition. For example, memorial trusts, which honor renowned individuals through social work, may not be considered as NGOs. In Indian context a NGO is consider as an Institution that carries Human Values, System values (open Business system model, Internal Process Model and Rational Goal Model). Figure I shows the objectives of NGO.
4. Types of Non-Profit Organizations

Non-Profit Organizations can be classified into various sub categories:

a. **Trusts**: The public charitable trust is a possible form of not-for-profit entity in India. Typically, public charitable trusts can be established for a number of purposes, including the relief of poverty, education, medical relief, provision of facilities for recreation, and any other object of general public utility. Indian public trusts are generally irrevocable. No national law governs public charitable trusts in India, although many states (particularly Maharashtra, Gujarat, Rajasthan, and Madhya Pradesh) have Public Trusts Acts.

b. **Societies**

Societies are membership organizations that may be registered for charitable purposes. Societies are usually managed by a governing council or a managing committee. Societies are governed by the Societies Registration Act 1860, which has been adapted by various states. Unlike trusts, societies may be dissolved.

c. **Section 8 Companies**

A section 8 company (old section 25 company) is a company with limited liability that may be formed for "promoting commerce, art, science, religion, charity or any other useful object,"
provided that no profits, if any, or other income derived through promoting the company’s objects may be distributed in any form to its members.

They can be registered in four ways:

- Trust
- Society
- Section-25 company (Section 8 as per the new Companies Act, 2013)
- Special licensing
- Schools
- Sports.

Registration can be with either the Registrar of Companies (RoC) or the Registrar of Societies (RoS).

The following laws or Constitutional Articles of the Republic of India are relevant to the NGOs:

- Articles 19(1)(c) and 30 of the Constitution of India
- Income Tax Act, 1961
- Public Trusts Acts of various states
- Societies Registration Act, 1860
- Section 25 of the Indian Companies Act, 1956 (Section 8 as per the new Companies Act, 2013)
- Foreign Contribution (Regulation) Act, 1976.

5. Stakeholders of a Voluntary Non Profit Organization

Stakeholders of a voluntary nonprofit organization

- Beneficiaries/service-users/clients;
- Members
- Statutory funders;
- Individual or corporate donors;
- Staff;
- Volunteers;
6. Strategic Management in NGOs

- Board of management;
- Agencies who refer clients or to whom the organization refers clients;
- Regulatory bodies;

Mission
Vision
Values

Long term aims

Strategic priorities

Performance indicators

Annual Operational objectives

Resource requirements (physical, human, financial)

Monitoring and rolling operational planning arrangements and time table
Number of factors which have constrained the development of rational planning in voluntary nonprofit organizations. These are:

1. Service is intangible and hard to measure.
2. Customer influence may be weak- Often the enterprise has a local monopoly and payments by customers may be a secondary source of funds.
3. Strong employee commitment to professions or to a cause may undermine their allegiance to the enterprise.
4. Resource contributors may intrude into internal management – notably fund contributors and government.
5. Restraints on the use of rewards and punishments
6. Charismatic leaders and/or the mystique of the enterprise may be important means of resolving conflict in objectives and overcoming restraints.

7. Potential Benefit of using Strategic in Non Profit Organizations

The potential benefits from the use of strategic planning tools and techniques in Non Profit Organization are as:

7.1. Identification, evaluation and capitalization of present and potential opportunities
7.2. Identification, evaluation and avoidance/ reduction of threads.
7.3. Formulation of contingency plan
7.4. Scenario Management to cater various situations.
7.5. Identification of Internal Strength and weaknesses

8. Various Strategic Management Techniques and tools for Non Profit Organization
8.1 PEST and PESTEL Analysis

PEST analysis is the analysis of Political, Economic, Social and Technological factors in context to the external environment of the organization. It can help the Non Profit entities to evaluate the activities and can impact its overall performance. Whereas, PESTEL can be useful as strategic took for Non Profit Organizations from broader perspective as it involves collection and portrayal of information about external factors which have or may have, an impact on Non Profit organizations viz. Legal framework.

8.2. Ansoff’s Matrix

The Ansoff Matrix is a strategic planning tool that provides a framework to help executives, senior managers, and marketers devise strategies for future growth of the organization. The aim of applying Ansoff’s Matrix for Non Profit Organization could be- (i) creating a positional advantage over other counterparts. (ii). To create value addition to increase overall efficiency. (iii) to create understanding towards new area/place of working; (iv) To attract more fund provider/facilitators for target activities.

8.3. Other techniques

Figure 2: General Model of Non-Profit Effectiveness
Three other techniques that is particularly useful in the public and nonprofit sectors:

8.3.1. Mandate analysis, which looks at the written mandates that the organization has from legislation, constitutions, trust deeds, public policy documents, research reports, funding agreements, etc.;

8.3.2. Stakeholder analysis, which explores the expectations of the organization’s beneficiaries, funders, volunteers, staff, regulatory bodies, etc., and what needs to be done to meet these expectations;

8.3.3. Identifying strategic issues that may have an impact on the ability of an organization to meet its aims and therefore requires urgent action.

8.3.4. Additional Tools that may be useful for strategic planning of NGOs
   a. Zero based budgeting
   b. Scenario planning
   c. Force field analysis
   d. Portfolio analysis
   e. Five forces analysis
   f. Lifecycle analysis
   g. Value analysis

9. Strategic Leadership as competitive tool for Non Profit Organizations

Leadership plays a very important role in sustainable competitive positioning for Non Profit Organizations. Figure 3 exhibits how effective leadership helps Non Profit entities to generate competitive advantage.
Figure 3: Leadership as competitive tool for Non Profit Organization

Figure 3 has three major components including Leadership, Processes and Key Performance Results. The common subcomponents are Enablers and Results.

**Enablers:** Various enablers could be Leadership (direction, motivation and making people enabled to achieve right results), Policy and Strategy (Non Profit firm’s roles, vision and roadmap to achieve the desired success), People (right skill set generation, their motivation and reward) and Processes (design/redesign and management of processes to support products/services)

**Results:** There may exist four types of results including customer results; People results (organization; Society results and Key Performance results