

COMPETITIVE STRATEGIES FOR NGO'S SURVIVAL: RECOMMENDED STRATEGIES FOR NGO'S IN A HIGHLY TURBULENT POLITICAL AND ECONOMICAL ENVIRONMENT – THE CASE OF NGO IBEC CENTER – SERBIA

Milan Dimitrijević

International Business, Educational and Cultural Center

Assistant Professor

E-mail: milandimitrijevic@ipek.rs

Dragan Jeremić

International Business, Educational and Cultural Center

Msc

E-mail: draganjeremic@ipek.rs

Abstract: Due to constant global economic and political oscillations, small and undeveloped countries are more endangered and have less ability for relatively fast recovery. In undeveloped countries and especially in countries which are in democratic transition like Serbia, NGO's are always in the first place when the impact of crises affects specific markets and in the last place in terms of recovery and in most cases for survival. This paper will show recommended strategies that can create a better strategic position and competitiveness for NGO's in short term, which in turn enables growth and sustainable development in a long term. Recommended strategies are product of research and actual implementation in the field by NGO IBEC Center from Serbia.

Key words: Strategy, Competitiveness, Non-Government Organization, Sustainable development, Strategic positioning

JEL Classification: O12, L20, L31, R58, O43

1. Introduction

NGO's represent specially formulated non-profit organizations with the same, similar or totally different mission, vision, goals and strategy on how to fulfill stated goals, but generally all NGO's work to fill the gap between government

social action and private sector social responsibility. Since the 1980's, the number of NGO's has increased slowly but surely, the influence of NGO's from modern and highly developed democratic countries, creates positive results and the number of NGO's in undeveloped countries has constant growth. The roles of NGO's can be different, from influencing of sustainable development, promotion of democratic principles and human rights, environmental issues, women's rights and national education issues, to creating strategies and projects for poverty reduction, and media and government transparency. NGO's seek to determine real situations in the field, so that they can be able to formulate and implement different strategies in order to improve different parts of social life. Therefore their role is mostly directed towards civil society, their rights and possibilities for improvement and development of general and specific life conditions. It is crucial for NGO's to create special strategies in order to educate the public about their role and significance, not only in order to have more success in implementing projects or to have volunteer response, but also for general acceptance of organizations that are non-profit and with the aim to improve society in different ways. According to our research in Serbia, and the situation is similar in the entire Balkans, especially in former countries of Yugoslavia, efforts and role of NGO's are not fully understood and usually people rejects help or support from NGO's only because of poor judgment or general ignorance. There are a lot of assumptions between scholars on how NGO's differ from government in the matter of representing poor and marginalized, and on the question of humanitarian alternative. Holmen and Jirstrom (Holmen & Jirstrom 2009) argue that there are a number of assumptions which explain this difference more in detail and better explain the role of NGO's and they are :

- Decisions made and activities pursued by inter-governmental organizations will improve, be fairer and more effective if NGO's are part of the decision making process.
- NGO's do not act out of self-interest.
- Governments and inter-governmental institutions are uncivilized whereas civil society is civilized, homogenous and in agreement.¹
- It is possible to transmit demands and standpoints from below without distortions.

¹ Authors indicate that this data is not taken out of the blue and it is data from recent research report entitled *Civil society and Uncivil state* (Bush 2004). We are taking these with reserve for our market because it requires further research on this matter, but we are stating in our paper as an example of quality assumptions for role of NGO's.

- NGO's are immune to corruption whereas politicians and public employees are not.

As a product of constant political and economical turbulences in Serbia, public companies and the entire private sector are in crises, but such crises mostly affects the organizations which for certain part depend on good political and economic stability in their country. Therefore, the development of NGO sector in Serbia is not only endangered nationally by political and economic instability, but also internationally as a product of government poor international relations, foreign policy and country image in eyes of developed countries and countries who are founders of Funds which are major grant providers in Serbia. The purpose of this paper is to show recommended strategies for NGO's survival in highly turbulent political and economic conditions that are constant in undeveloped countries, especially in Serbia. The strategies that will be presented in this paper are recommendations and suggested models not only for survival, but for sustainable growth in NGO sector. The research has been conducted by the NGO IBEC Center and it was based on formulation and implementation of different projects and strategies on territory of Serbia.

2. Theoretical background

There is significant number of scientific papers that highly contribute theory directed towards creating different competitive strategies for improving NGO's development. It is crucial to state the basics and roots of NGO's defining, not only in order to present role and significance of NGO's, but also to present common background for all NGO's and to have clear vision about magnitude of their efforts in order to survive in highly turbulent political and economic conditions, mostly in undeveloped countries. Nongovernmental organizations play an important and increasing role in international development (Werker & Faisal 2008). For the World Bank NGO's and not-for-profit organizations represent civil societies that have a presence in public life, expressing the interests and values of their members or others, based on ethical, cultural, political, scientific, religious or philanthropic considerations (<http://web.worldbank.org>). United Nations define NGO's as not-for-profit groups, principally independent from government, which are organized on a local, national or international level to address issues in support of the public good. Task-oriented and made up of people with a common interest, NGO's perform a variety of services and humanitarian functions, bring public concerns to governments, monitor policy and program implementation, and encourage participation of civil society stakeholders at the community level (<http://www.unrol.org>). Turner and Hulme first pointed out what kind of

organization NGO's could be and after that they stated their purpose as: "NGOs are generally registered organizations, community groups, professional associations, trade unions, cooperate charity organizations whose aim is to improve the well being of their members and of those areas in which they exist" (Turner & Hulme, 1997:200). In a very detailed and comprehensive research led by Salomon and Anheier, we have clear distinction between different kinds of organizations, but also a presentation regarding common ground for these non-profit entities. Known variously as the "non-profit," the "voluntary," the "civil society," the "third," or the "independent" sector, this set of institutions includes within it a sometimes bewildering array of entities – hospitals, universities, social clubs, professional organizations, day care centers, environmental groups, family counseling agencies, sports clubs, job training centers, human rights organizations, and many more. Despite their diversity, however, these entities also share some common features. In particular, they are:

- Organizations, i.e., they have an institutional presence and structure;
- Private, i.e., they are institutionally separate from the state;
- Not profit distributing, i.e., they do not return profits to their managers or to a set of "owners";
- Self-governing, i.e., they are fundamentally in control of their own affairs; and
- Voluntary, i.e., membership in them is not legally required and they attract some level of voluntary contribution of time or money (Salamon & Anheier 1999:3).

There are large number of articles, scientific papers and research projects which indicate the number, presence, possibilities, state of mind and general functioning of NGO's, but in recent years there are more articles about strategies for NGO's survival in different countries and continents with different political and economical influences. In order to be more efficient and effective NGO's in undeveloped countries, especially in Serbia, should consider different kinds of strategies in order to influence and to change public perception about non-profit sector in general. A sustainable approach to NGO financing is one that avoids dependency on any single source of revenue, external or internal. It is difficult to determine a formula for the percentages that need to be derived from various sources in order to support a "financially sustainable NGO" (Alymkulova & Seipulnik 2005). One of the aims of this paper, beside its further justification in practice, is upgrading existing theory about using profitable strategies for non-profit sector in order to survive and to create conditions for sustainable growth.

The primary aim of this model is to explore the possibility of filling the time gap between the moment of writing and sending an application for grant to the moment of receiving a grant from a Fund or a donation. Therefore our ***Hypothesis 1 (H1):*** *The set of profitable strategies can financially fulfill the time gap between the moment of writing and sending an application for grant to the moment of receiving a grant from a Fund or a donation.*

Hypothesis 2 (H2): *The set of profitable strategies cannot financially fulfill the time gap between the moment of writing and sending an application for grant to the moment of receiving a grant from a Fund or a donation.*

3. Methods

3.1. NGO's struggle for survival – problems and solutions

The number of NGO's in Serbia in 2011 was 15.700, with 4.200 employees, 4.500 freelance associates, 150.000 volunteers and with several hundred thousand members. The results of the research conducted by Ipsos strategic marketing and with the support of USAID shows that approximately 60% of NGO's in Serbia are in areas of social work, culture, media or environmental protection. Majority of NGO's have had smaller budgets below 20.000 euro in 2010 and every tenth organization has had budget over 100.000 Euros in 2010. Research on status in civil sector in Serbia has shown that 76 % of NGO's don't have funds for year of 2012 (www.inkluzija.gov.rs). Serbia is facing great political and economic turbulences since 2000, when the system of the government changed from socialism to democracy. In undeveloped countries with constant state budget deficit and increase of external debt, there is not much space for financing civil societies and NGO's that may lead to closing and total disappearance from the market. Since the large number of NGO's is faced with the problem of constant funding and therefore normal realization of stated goals, we tried with NGO IBEC Center to formulate and implement different strategies in order to generate revenues which have no connection with classical funding of NGO's, over domestic and foreign funds.

3.2. Strategy in focus

IBEC Center has formulated a set of profitable strategies in the form of services for three most endangered areas in Serbia: Economy, Education and Culture. Our research started with the key component necessary for successful formulation and implementation of our strategies and that component is Human Resources. We have conducted our research on a sample of 100 candidates for each department (economy, education and culture) offering them classic volunteering, freelance or

partnership status, to see the number of candidates who are willing to participate according to offered status. Although we needed only certain number of employees, all candidates who didn't pass final part of recruitment process, but who had quality resumes and experience, we have kept their data and agreed with them if opportunity occurs they will be informed. That kind of answer is usual in recruitment process, but records that we have kept about candidates has helped us when we have had a problem with existing HR and needed fast replacement. **Table 1.1** shows details from this part of research. After a detailed analysis and making agreements with candidates, we have moved on to formulating our strategies. Every candidate (in some cases a group of candidates) was responsible for creating strategy in his field in the form of a service. **Table 1.2** shows services for three departments.

Table 1.1 – Number of volunteers, freelancers and partnerships per department

Department	Volunteer*	Freelance**	Partnership***	Sample
Economy	21	37	42	100
Education	9	17	74	100
Culture	12	23	65	100

Volunteer * - a classic volunteer status, without compensation for their work, also a form of internship.

Freelance** - HR hire per contract and paid upon completion of the service.

Partnership *** - HR hire per contract and paid upon completion of service and upon completion of services formulated in project which is financed by the Fund. Priority for full time employment.

3.3. Strategy in action

All strategies were formulated by candidates and in cooperation with distinguished scholars from different fields of science who are members of IBEC Center and individuals with agreements of partnership. We all agreed that our key message to the public should be directed at explaining where the received revenues are going and for what purpose. With that message in delivering our services we also wanted to attract general population in order to educate them about efforts and general role of NGO's. On the other hand, with that message we also wanted to emphasize the vision and mission of IBEC Center which is primarily focused on revitalizing the three most endangered areas in Serbia: economy, education and culture, and to make influence on social responsibility of public and private entities. We have developed services for three mentioned areas and started with the extensive PR and marketing campaign over social networks

and available media channels for the period of three months. After six months period, or three months after PR and marketing campaign started, we have made an evaluation of our approach in order to test our hypothesis. Results were different for every department. We have measured the interest of customers for every department received by telephone and personally, sales frequency of offered services and the amount of income per month (to determine the percentage of how much these departments, all together, covered fixed and variable costs and the level of extra income for period of six months). The reason why we had chosen a period of six months as a probation period for this project was that the usual time for writing a project is two to three weeks, while an approximate time to get a grant from a Fund is between 5 to 6 months.

Table 1.2 – Services per departments of IBEC Center

	Department of economy	Department of education	Department of Culture
Target Groups	Small and medium enterprises Large Enterprises and MNC's Public Administration Ministries, Local Government Public companies Non profit companies	Employees in private and public sector Graduate , MSc and PhD students High school graduates	Citizenry Private sector Public sector Non-profit sector
Services in the following areas	Strategic Management Project Management Financial Management Public Relations Marketing TQM HR Management in sports ICT CSR Foreign languages		Culture
Form of services	Education and training Conferences and seminars Consulting Development programs Project management	Courses and training Seminars and conferences One year Academy Professional specialization ICT School Foreign Language School	Literary evenings Music performances Theatre pieces Sport events Presentation of cultural mores and historical heritage Exhibitions, fairs and other cultural manifestations

RESULTS

After six months we have gathered all data in order to evaluate our approach and to test our hypothesis. Interest of customers received by telephone in six months was (further in text in percentages): 18 % for department of business development (DBD), 44 % for department of education development (DED) and 38 % for cultural department (CD). Interest of customers received personally in six months was: 23% for DBD, 41 % for DED and 35 % for CD. Sales frequency of offered services in six months was: 14% for DBD, 54 % for DED and 32% for CD. The results for amount of income per months are: first month – 9%, second month 21%, third month 37 %, fourth month 87 %, fifth month 100 % (4% extra income), sixth month 100 % (12 % extra income).

The results for amount of income per month shows slow growth for first three months, but due to frequency of PR and marketing campaign we had income more than double in fourth month. In fifth month we have managed to successfully cover our fixed and variable costs and gain a 4% of extra income. In sixth month we have covered our fixed and variable costs and managed to triple the percentage of our extra income from fifth month. Although the percentage of extra income is small and it is only 4 % or 12 % of total amount of fixed and variable costs, it is valuable indicator for small but constant growth. The fixed and variable costs in this case (period of six months) represents the costs of business premises per month, utility costs, accountant cost, legal fees for board members, administrative material and marketing material. The results have shown that by using profitable strategies an NGO can close the financial gap between the moment of writing and sending an application for grant to the moment of receiving a grant from a Fund, which confirms the Hypothesis 1 (H1).

DISCUSSION AND LIMITATIONS

The results have shown reasonable justification for using profitable strategies and if an NGO decides to work in traditional ways by waiting for a grant or a donation in a very unstable environment, that situation can cause significant saturation and can bring into question the survival of an NGO. Based on presented results, this set of strategies can significantly reduce the financial gap, but there are a number of limitations that need further research. There are a small number of published papers in Serbia concerning profitable strategies for non-profit sector and our approach, according to conducted research, is innovative and it is still in development phase. We wanted to investigate the possibility to create competitive strategies for NGO's survival, but without investing significant funds, especially in human resources. That is why we made special agreements with all parties involved in this project in the form of partnerships, freelance agreements, or

volunteers. All parties involved were aware of necessary effort in order to generate profit for NGO and for themselves as a compensation for their contribution. Human resources are the key factor for implementing this model and especially the way of arrangement between NGO and potential parties about compensation for their work. Although the period of six months is short, we have managed to get satisfying results, that significant improvements in generating revenues are possible. There are certain limitations to this approach. First of all, this model is very efficient for NGO's that operate in a country with similar political and economic conditions like they are in Serbia. In developed countries financial gaps are much smaller and NGO's have no need to develop profitable strategies in order to survive, but they can though if they want to expand their field of expertise or their goals. Second limitation concerns the level of competitiveness of NGO's profitable strategies if we compare it with profitable sector that has similar services. Third limitation for implementation of this model is unknown area of expertise for many civil societies and NGO's, which have goals for totally opposite area or industry. Very significant limitation is time for setting up all requirements necessary for implementing this set of strategies. Certain number of NGO's will not go into an unknown area, which is not their field of expertise and they have no intentions to invest funds in forming necessary conditions, because they assume that they will get funds on time and that they don't need to act as profitable company. They are not aware that philanthropic tradition is still weak and domestic fund-raising is in infancy in less developed countries (Fisher 1998). NGO's which are aware about crises in non-profit sector in undeveloped countries seek for efficient and productive opportunities in order to secure the implementation of their goals and existence on the market. This paper can also be used as foundation for development strategies in other areas of industry in order to formulate new set of profitable strategies which can be used to generate profit and to fulfill financial gap in untraditional ways.

CONCLUSION

Civil societies and especially NGO sector are still in infancy phase in Serbia. Undoubtedly the need for strong NGO sector in Serbia is big, especially when the country is facing massive democratic transition. Since Serbia is undeveloped country, with constant economic and industrial saturation, government, public and private entities are in constant pursuit of different strategies in order to change existing unfavorable situation. NGO's are in a struggle for survival and they have to wait for several months to receive an answer, positive or negative. NGO's must accept reality and direct their existing resources in creating strategies for fulfilling great financial gaps which can last for several months. Although recommended

strategies in our paper are demanding or in some cases specific and require great effort and resources, NGO's can use this concept in order to develop profitable strategies in their area of expertise. There is a great gap in competitiveness between NGO's which want to penetrate the market with certain service in education or in business and the company which is the leader in that area on national level, but the key point is to secure enough funds to fulfill the financial gap and not to compete with leaders in certain strategic groups. To summarize, this paper is a quality indicator that there is possibility to create profitable strategies in order to fill a financial gap and it can be used as a basis for future upgrade in this context. Beside certain number of stated limitations regarding our recommended strategies, with further, more comprehensive research on matter of profit strategies for non-profit sector, NGO's in undeveloped countries have more chance to secure better strategic position and sustainability.

BIBLIOGRAPHY

Alymkulova A. & Seipulnik D. (2005), *NGO Strategy for Survival in Central Asia : Financial Stability*, The William Davidson Institute at the University of Michigan business school

Defining Civil Society:

<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/CSO/0,,contentMDK:20101499~menuPK:244752~pagePK:220503~piPK:220476~theSitePK:228717,00.html>, accessed July 10, 2013

Eric Werker and Faisal Z. Ahmed, *What Do Nongovernmental Organizations Do?* *Journal of Economic Perspectives—Volume 22, Number 2—Spring 2008—Pages 73–92*

Hans Holmén and Magnus Jirström (2009) *Second Thoughts about NGO's representing civil society*, *Journal of Asian and African studies*, SAGE Publication, vol 44 (4) : 429-448

Julie Fisher, *Non Governments: NGOs and the Political Development of the Third World*, West Hartford, CT: Kumarian Press, 1998

REZULTATI VELIKOG ISTRAŽIVANJA O NVO U SRBIJI (Results of big research regarding NVO's in Republic of Serbia):

<http://www.inkluzija.gov.rs/?p=7594>, accessed May 23, 2013

Salamon, L & Anheier, H. And Associates (1999). *Global Civil Society: Dimensions of the Nonprofit Sector*. The Johns Hopkins University Press, Center for Civil Social Studies, USA

Turner, M. & Hulme, D. (1997). *Governance, Administration and Development: Making the State Work*. Kumarian Press, USA

United Nations Rule of Law article Non Government organizations:
http://www.unrol.org/article.aspx?article_id=23, accessed May 23, 2013