

## CHAPTER 2

# NON-PROFIT ORGANIZATIONS: A PATH FOR SOCIAL ECONOMY

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### ABSTRACT

The structural basis of the social economy is non-profit organizations. Therefore, understanding the structure and management principles of non-profits is essential to create a global economy based on solidarity. However, despite the critical importance and role of non-profit organizations, studies on non-profit organizations are not holistic from a managerial perspective. For this reason, a holistic approach that covers all economic, political, and social components is needed when analyzing the social economy and NPOs. Toward this aim, in this section, non-profits are examined based on their organizational structure and management principles. This examination will compare for-profit and non-profits organizations' mission, organizational structure, performance criteria, etc. The lack of profit in non-profit organization's (NPO) mission stands out as the most crucial difference that shapes their management characteristics and organizational structure.

**Keywords:** Social Organizations, Social Economy, Organizational Structure, Non-profit Organizations

*“But this is that which will dignify and exalt knowledge: if contemplation and action be more nearly and straitly conjoined and united together than they have been: a conjunction like unto that of the highest planets, Saturn, the planet of rest and contemplation, and Jupiter, the planet of civil society and action.”*

Francis Bacon

## **Introduction**

Today, modern businesses’ main objectives are to make profit, increase market value, grow and serve society. However, climate change, economic depressions, and poverty have demonstrated that businesses do not fulfill their goal of serving society as effectively as their other purposes. Unfortunately, governments too are not giving these global problems sufficient attention. The regulatory role of government in the economy is gradually decreasing, as to the contrary it is businesses that dictate their free-market rules over governments. This situation causes disadvantaged groups in society to be deprived of the most basic living conditions, such as accommodation, nutrition, clothing, and fundamental human rights such as education, health, and justice. It shows the inability of these two poles of the economy, the private and public sectors, to solve social problems stemming from economic structures. This impasse leads to the necessity of the social economy, which has emerged as the “*third sector*” in the global economic structure.

The social economy began to fill this critical gap created by businesses and governments by placing people at the center of economic goals, decisions, and activities. A non-profit organization (NPO), on the other hand, is the most crucial tool that social economy policymakers use to fill this gap. NPOs are organizations that do not prioritize profit, but rather their specific missions as their *raison d’être*. Millions of NPOs in every region of the world struggle to make the world more livable in line with their missions and provide humanity the quality of life it deserves.

At the same time, these developments show that NPOs contribute significantly to developing a human-centered economy and achieving the United Nations’ sustainable development goals by helping to solve social problems. Placing NPOs as the third sector in the economy causes them to play a critical role in increasing social welfare. For this reason, it is a crucial need for decision-makers, founders, administrators, and donors to understand NPOs, to understand their working principles and ways of working, and to achieve social goals. However, existing research has generally only examined one aspect of NPOs. As such,

this chapter aims to develop a holistic perspective on NPOs by analyzing NPOs' structure and function in detail.

The remainder of the chapter is structured as follows: Firstly, it will explain the philanthropic philosophy behind NPOs. It then defines the roles, functions, and importance of NPOs in the social economy via the highlighted relationship between NPO and the logic of the social economy. While making these definitions, the social and economic conditions that led to the emergence of NPOs were based on the macro level. Subsequently, the NPOs' context and the effects of the content on the NPO structures are discussed. NPO's relations with the government and public are then explained in detail. The concepts of accountability and trust that determine the effectiveness of these relationships are emphasized. After mentioning the target audience's selection and the structure of the connection to be established with this audience, the latest trends and developments in NPOs' field are explained, and current examples are given.

## **1. Understanding Non-Profit Organizations**

According to researchers, the most important reason for establishing a voluntary organization is a feeling of devotion, a motivation with historical roots in religious belief. Compassion for the sick, poor, elderly, and the disabled, and thus psychological relief, has always been at the core of philanthropic ethics (Smillie, 1995). In this context, philanthropy is a form of relationship between donors and buyers in which various images of public benefit are most appropriately mediated (Waters, 2007). These relationships are conducted under the philanthropic sector. According to Lohmann (1992), the philanthropic sector consists of individuals and organizations devoted to a unique action for public welfare.

Today, enterprise philanthropy's approach and language have permeated the private and community foundation world, small donation circles, associations, and corporate philanthropy that help guide new donors (Frumkin, 2003). According to Smillie (1995), there is another often-forgotten motivation for NPOs in today's charitable donations race, in that voluntary associations, by their benevolent nature, form an essential part of the way societies organize themselves, both politically and economically. For this reason, the philanthropic sector also helps to create an "awareness of citizenship" among individuals.

In its simplest definition, a non-profit organization is an organization that does not distribute profits to its founders and has a basic foundation principle traditionally called "non-profit distribution" (Eng *et al.*, 2011; Weerawardena *et al.*, 2010; Jegers, 2008). Seo (2016) defines NPOs as private entities that provide citizens and communities with various

social services and goods without distributing organizational members' profits. According to the author, NPOs use their profits for their purposes, development, durability, and plans, and do not pursue individual profits. Briefly, the five standard features shared by NPOs are: (1) self-governance, (2) volunteering, (3) being an organization, (4) being separate from the government, and (5) not distributing profits. Ghatak (2020) defines the third sector, formed by NPOs, as a residue sector that emerged to overcome market and government failure to provide specific goods and services. According to Bahmani *et al.* (2012), one of the main characteristics of NPOs and the most significant difference from for-profit organizations is that their purpose is to maximize social benefit rather than maximize profit. For this purpose, NPOs play four different roles in society: (1) opening and innovating, (2) reforming and guiding, (3) protecting value, and (4) providing services (Cheng and Chang, 2012). Because of these roles, NPOs formed the third sector based on their philanthropic philosophy.

The third sector is diverse. This sector includes philanthropic foundations, large organizations involved in providing a wide range of services, and community-based organizations that provide services to society's specific needs, self-help groups, etc. (Kong, 2010). The idea of transforming philanthropy into social investment is practiced in many areas, from early childhood health to environmental protection and community development (Frumkin, 2003). According to the International Classification of Nonprofit Organizations (ICNPO, 2003), NPOs include 12 different fields of activity: (1) culture and recreation; (2) education and research; (3) health; (4) social services; (5) environment; (6) development and housing; (7) law, advocacy, and politics; (8) philanthropic intermediaries and voluntarism promotion; (9) international; (10) religion; (11) business and professional associations, and unions; and (12) organizations that are not elsewhere classified.

As can be seen, NPOs are critical organizations for society and operate in various fields based on philanthropic ethics and philosophy. The need for these organizations is so great that their social and political effects eventually built the third sector. In the next section, this crucial role played by NPOs in the social economy will be examined.

## **2. Role of Non-Profit Organizations in the Social Economy**

Despite the struggle for a sustainable solution to social problems, our planet is still far from achieving this goal (Toker, 2020). Thus, the concept of social economy and its impact on the economy have recently sparked many global debates. Briefly, social economy theory examines the relationship between economics and social behavior influenced by morality, ethics, and philosophy (Okeke-Uzodike and Subban, 2019). As such, governments and public institutions

worldwide have faced unprecedented pressure to create social value and strategically manage resources by improving operating results, offering new services, and reducing costs (Cabral *et al.*, 2019). Whereas, as long as economic growth is an important performance criterion for both business and state administration, destruction of the environment and society seems to continue (Toker, *et al.*, 2019). Therefore, the United Nations Sustainable Development Goals include empowering individuals, increasing community participation, promoting social adaptation, developing cultural identity, and strengthening institutional development (UNDP, 2020). Also, equality and justice are an integral part of sustainable development. Hence, sustainable development goals have a greater chance of success when community members have a sense of participation in social decision-making and feel that limited resources are distributed fairly and equally. Thus, under the appropriate conditions, societies can meet human needs by organizing new methods and innovative approaches (De Vita *et al.*, 2001). Non-profit organizations (NPO) play an essential role in meeting these needs and creating appropriate conditions worldwide.

The third sector encompasses all organizations that aim to create social value for society and whose primary goal is not to generate profit for shareholders (del Mar Gálvez-Rodríguez *et al.*, 2017; Lettieri *et al.*, 2004). On the other hand, the third sector is a network of politically independent organizations or institutions that are outside the state yet may interact with the government (Lohmann, 1992). Legal regulations for organizations operating in this sector differ from country to country. However, these organizations, placed between the state and the market, are becoming the prevalent model worldwide to provide semi-public services and support civil action and policy-making (Casey, 2020). Also, NPOs that have developed in this direction are often considered to be one of the necessary preconditions for democratization. These typically include unions, professional associations, civic associations, religious organizations, foundations, donor funds, and public benefit businesses (Potluka *et al.*, 2017). When the global overview of the third sector is examined, Asia-Pacific is the largest continent with a 38% share in the global NPOs and charities market. North America is the second-largest continent, with a 29% global market share. Africa is the smallest continent in this market (AP News, 2020). There are striking data when the issue is evaluated at the scale of countries and regions.

There are approximately 167 thousand NPOs in the United Kingdom and about 900 thousand people who work in these organizations. The industry generated approximately £ 53.5 billion in revenue and £ 51.3 billion in 2019 (UK Civil Society Almanac 2020). 7,200 NPOs operate only in northeast England, and 38,250 people work full-time in these

organizations. This number constitutes 3% of the total workforce in north-east England (Community Foundation, 2020). The third sector in the European Union is a tremendous economic force, ahead of most significant industries in terms of labor. As of 2014 (latest available data), the European third sector employs an estimated 28.3 million full-time workers (paid and volunteer) in 27 EU countries, the UK and Norway. Therefore, the third sector accounts for about 13% of the European workforce. This ratio is an essential contribution to the economy as any industry that accounts for 5% of a country's employment is considered a principal sector (European Commission, 2014). Approximately, 1.54 million NPOs are operating in the United States, and they contribute an estimated \$ 1.047.2 trillion to the US economy, accounting for 5.6% of its gross domestic product (GDP). An estimated 25.1% of US adults volunteer at NPOs and contribute an estimated 8.8 billion hours. The market value of hours spent voluntarily is about \$195 billion (Urban Institute, 2016). In China, while approximately 675 thousand registered third sector organizations operate in poverty alleviation, community development, education, environment, and health, it is estimated that this number reaches up to 3 million with unregistered organizations (China Development Brief, 2020). These statistics show that the importance and influence of NPOs continue to increase day by day. Over time, the social economy has become a synonym for social enterprises, including NPOs, cooperatives, and other private types of associated businesses (Gherghina and Duca, 2019). The social economy is considered the third economic sector which operates between the private and public sectors. Historically, the literature has linked social economics to associations and cooperatives structured to respond to the most vulnerable social groups (Okeke-Uzodike and Subban, 2019; Malta and Baptista, 2017). As mentioned in the introduction, recently, the social economy has become a solution for economic development in many countries due to its high job creation. It has consolidated its status as an alternative form of economic growth based on values and principles different from the market economy (Gherghina and Duca, 2019). To support this economic approach, the International Labor Organization (ILO) recently adopted the Declaration of Social Justice for Fair Globalization to provide the foundation for an effective social economy and place society at the center of governments' economic policies. Considering this background, the ILO defines the social economy as a concept that can produce goods, services, and knowledge both economically and socially, representing cooperatives, mutually beneficial associations, foundations, and social enterprises (Okeke -Uzodike and Subban, 2019). This definition determines the actors that contribute to the social economy.

In this context, the social economy offers a new way of developing sustainable organizations based on social justice principles, social responsibility, and transparency, thus

promoting democratic participation in decision-making processes (Gherghina and Duca, 2019). Therefore, the existence of NPOs questions the clear division of economic activities into two areas as the private sector and the public sector, as the third sector points to a gray zone between the black-and-white economic model that separates all economic activity into (a) a profit-driven private sector that efficiently produces specific goods and (b) the public sector that regulates market failures and realizes the redistribution of public goods for social equality (Ghatak, 2020). This gray zone is the domain of the social economy.

Weerawardena *et al.* (2010) state that the contribution of NPOs to the third sector is widely accepted by public opinion. Implementing the social economy takes place through NPOs which play a crucial role in solving the earth's most challenging problems. To this end, NPOs provide goods and services that are not provided by the private or public sector, develop skills, create employment, and develop new social participation methods (Ohreen and Petry, 2012). Therefore, NPOs are vital to defend and establish society's interests and balance political parties' effects. Also, NPOs offer many services that both the public and private sectors cannot or do not want to provide (Potluka *et al.*, 2017). Accordingly, societal expectations are increasing for governments to work closely with NPOs to achieve social goals that can include many services, from building infrastructure to helping disenfranchised citizens and increasing the economic competitiveness of a disadvantaged region (Cabral *et al.*, 2019). Also, according to Potluka *et al.* (2017), the extent to which they realize these social missions is an indicator of NPOs' achievement.

Lohman (2007) states that the non-profit sector is an essential asset in its own right when narrowly interpreted. It has become historically significant in recent years, just as the steel and automobile industries were in the 1940s. But according to the author, the third sector is not an independent entity, as it is characterized by scientists who sometimes identify it with civil society or put it in a different position than government and for-profit sectors. It is an integral part of a more extensive legal, economic, political and social system. For this reason, a holistic approach that covers all economic, political, and social components is needed when analyzing the social economy and NPOs.

### **3. Context and Content of Non-Profit Organizations**

The non-profit context differs from the for-profit context, particularly in terms of motivations, processes, and outcomes. The NPO context's opportunities depend on the need to serve a social purpose with a sustainable financial structure rather than creating wealth for shareholders. This requirement adds a layer of complexity to the organization. This purpose

is at the center of all activities carried out by NPOs. The lack of a motive of profit removes the main (though not sole) driving force found in the for-profit sector to support innovation, risk-taking, and proactivity. The private sector focuses on shareholder value driven by profits. NPOs, on the other hand, determine their direction by requirements such as success in achieving their social goal, providing value to various stakeholders, and generating sufficient income to sustain or develop operations (Morris *et al.*, 2007).

Moreover, NPOs operating in different countries have different contexts and contents (Dolnicar and Lazarevski, 2009). These environmental factors include income sources, changing priorities of the external environment, competing services, social changes, social services changes (such as public recognition through certificates and reimbursement models), and changing accreditation and regulatory requirements (Giffords and Dina, 2004). Hence, NPOs operate in an increasingly competitive environment. Indeed, NPOs pursue missions that are created to meet the social needs that the for-profit sector does not serve, possibly due to their unprofitable nature (Weerawardena *et al.*, 2010). From an economic perspective, the meaning of corporate success is clear for for-profit businesses: profit maximization. However, mission-oriented NPOs do not use profit as the ultimate indicator of achievement. NPOs typically have content that aims to achieve social goals (Helming *et al.*, 2014). This content is one of the essential characteristics that differentiates NPOs from for-profit organizations

Morris *et al.* (2007) stated that the process and outputs also differ in NPOs. According to the authors, NPOs' unique social mission-based motivations also lead to differences in primary functions compared to for-profit organizations. The basic set of activities that NPOs use to generate cash flows is particularly crucial. Consequently, instead of developing goods and services to pursue profit, strengthen their competitive position, and generate returns on funds invested by shareholders; NPOs focus on processes related to their social mission and methods to improve the delivery of the core service or function (e.g., drug addiction counseling, disaster relief, animal rights protection). Therefore, it is necessary to understand the function of management strategies, social value, and organizational structure in context and contents. Now let us focus on the constituent units a little more and examine the missions, visions and strategies, social value, the organizational structure, and founders & board of NPOs.

### **3.1. Mission, Vision, and Strategy**

Understanding the context and content concerns described above is not sufficient to develop insight into the structures and management mechanisms of NPOs. An NPO operating without determining its mission, vision, and strategy cannot achieve its goals and will ultimately



fail. This failure is because the NPO's context must be compatible with its activities. This harmonization can only be achieved by analytical determination and implementation of the mission, vision, and strategy. NPOs can only draw the boundaries of its field of activity by using these tools, planning the future, and reaching a sustainable competitive advantage by attracting limited resources. The first of these tools is the mission.

A mission statement is a critical tool for achieving non-profit organizational goals (Kirk and Nolan, 2010). The potential benefit of a well-structured mission statement is that it guides organizations to create significant resources to sustain and reach that mission (Kirk and Nolan, 2010). Mission impact in NPOs includes focusing on programs more directly related to the core mission, increasing effective implementation, having a broad reach or deeply affecting people, filling a significant gap in the community, and exemplifying building a strong community. This effect also increases the impact of other programs in the organization or community. In NPOs, there is an implicit assumption that all programs or activities contribute towards the organization's mission. However, some activities have a greater impact on this progress than others (Sontag-Padilla *et al.*, 2012). NPOs should focus on activities that substantially contribute to their missions and avoid actions that drive them away from their mission. As can be seen, the mission's presence facilitates the practice preferences of NPOs and increases their social impact.

A vision is a description of an organization's ideals, goals, and what it wants to do. However, the vision serves as a guide for the organization and is a central reference point to guide its strategy. In an NPO, the vision is defined by a charter and social mission statements, creating a significantly more complex organizational goal (Hull and Lio, 2006). According to Moore (2000), vision statements in NPOs generally define the organization's mission and the specific activities undertaken while carrying out this mission. Therefore, the future horizon of an NPO is focused on the near-term, as NPOs must generate social value and create social impact immediately. This fact brings the mission and vision statements of NPOs closer to each other. This convergence is an original and interesting case in strategic management thinking.

The strategy moves an organization from its current location to the desired location, from point A to point B. It reflects what an organization does or how efficiently it works compared to other organizations (Akingbola, 2006). According to Jegers (2008), there is no difference between NPOs and for-profit organizations regarding the strategic management process. The strategic planning of NPOs also consists of determining goals, making a SWOT (strengths, weaknesses, opportunities and threats) analysis, determining the relevant strategic issues, choosing an appropriate strategy or strategies, and applying this strategy. However, NPOs may show some differences in the content of their strategy.

According to Akingbola (2006), NPOs determine their strategy according to the resource environment's characteristics and relationships with existing funders. Also, organizations in the industry combine both competitive and collaboration strategies and associate different results with each. External factors affect the relationship between strategy and structure, and the planning needs of funders are one of the critical determinants of strategic planning. Sontag-Padilla *et al.* (2012) state that NPOs should determine whether their programmatic activities provide the desired result (i.e., effectiveness) and whether the results are sufficient in proportion to the cost of the effort (i.e., productivity). As such, profitability for NPOs reflects the protection of working capital to support or sustain programs and service operations. Furthermore, Giffords and Dina (2004) state that NPOs are increasingly vulnerable to external conditions as they face a reduction in government financial support. To ensure the survival of their organizations, administrators must create a proactive plan in the context of their work environment. Strategic planning in the non-profit arena is less straightforward than in the private sector where administrators seek profits. Therefore, strategic planning team members and staff should implement a strategic planning process to encourage collaboration, ownership, and commitment. It is this participation stage of the planning process that moves an NPO towards its mission.

NPOs should be managed with a strategic management approach as they operate in a highly competitive environment characterized by increased demand for services from the community, increased competition for contracts with the public, reduced voluntary support, and generally a tighter government funding source. Therefore, the need for competent strategic management concepts that can suit unique non-profit environments has been widely recognized (Kong, 2007). Strategic planning is a process that can be used to help NPOs define what is to be achieved and how to achieve it. This process involves identifying how an organization obtains the resources needed to accomplish its mission and vision. As with most management tools, a tool's effectiveness depends on its user's skills. Strategic planning can be a powerful tool for NPOs (Gratton, 2018). This management logic promotes NPOs to increase their management capacity and penetrate the resource environment more effectively. Consequently, effective management of resources and the social value produced constitute the common denominator of NPO's mission, vision, and strategies.

### **3.2. Social Value**

Achieving the mission is not only about NPO's income assurance, but also about creating value. The mission becomes extremely important in third sector organizations as it defines the value NPO is trying to produce or achieve (Moore, 2000). Today, as the role of NPOs

is expanding to include the provision of various social services, their activities significantly affect the lives of individuals and local communities (Seo, 2016). An NPO's mission defines its value for its stakeholders and society more generally. Therefore, social value for NPOs is sacred, just as it is for commercial organizations that seek to maximize shareholder wealth (Moore, 2000). Simultaneously, this commitment to value improves staff's performance and productivity and provides administrators and boards a significant benchmark for determining direction and effectiveness (Cheverton, 2007).

Similarly, Mook *et al.* (2007) state that one way to think about the contribution an organization offers to society is to examine it in terms of the added value it creates and distributes. An added value is a measure of the value created by an organization to raw materials, products, and services with labor and capital. In short, value equals the amount of organizational output minus the cost of goods and services purchased externally.

In some cases, these organizational outcomes are purely private goods or services, such as cosmetic surgery or scientific research. In some other outcomes, the outputs have a social interest component, which NPOs cannot delay delivering to the public. Also, these outputs provide non-competitive benefits to society (e.g., environmental protection). The minimum supply of certain services (e.g., primary healthcare, education, aid to the poor) offers positive externalities in the standard public economy, and society directly deals with those goods or services (Ghatak, 2020). According to Mook *et al.* (2007), there are various difficulties in establishing a value-added statement by NPOs, due to these different degrees of importance of output to the community. These difficulties are; (a) attributing a suitable market value to voluntary labor, (b) attributing a value to the benefits of volunteers from their work, and (c) appraising the social impact of NPOs. The last element is particularly difficult to measure.

In principle, the purpose of creating social value is at the core of the mission. In a sense, the reason for the organization's existence and its social value are closely related. However, measuring social value for NPOs is as tricky as creating it. To overcome these problems, NPO managers have to establish an effective organizational structure. The organizational structure of NPOs also has specific characteristics determined by mission, value, and strategy. It now becomes necessary to explain these organizational characteristics.

### **3.3. Organizational Structure**

The literature on organization and management theory also highlights the operational decisions and trade-offs organizations face in building their financial and political capacities. Decisions regarding staff use, product and service selection, fundraising and marketing

strategies, and even a board of directors' choice can significantly impact an organization's success or failure. The decision-making process generates trade-offs that can be either beneficial or detrimental to the organization's short or long-term viability (De Vita *et al.*, 2001). An agile organizational structure capable of making effective decisions also produces significant results.

Legal and regulatory requirements shape the governance structures and processes within the organization. The governance of inter-organizational collaborations is even more complicated (Cornforth *et al.*, 2015). These organizations should have an auditable structure towards their members and their supporters. They should also be independent of the government, other public institutions, commercial organizations, and political parties (EU Delegation to Turkey, 1996). Because NPOs usually establish these collaborations without any exact legal form or responsible part, relations among partners may change over time (Cornforth *et al.*, 2015). In for-profit organizations, the administrator makes a whole claim on the profit whereas NPO administrators only earn a fixed fee. Also, NPOs restrict the autonomy of administrators by setting a strict mission. In a social enterprise, the administrator has discretion over balancing profit and social goals (Ghatak, 2020). Therefore Froelich *et al.* (2011) stated that NPOs differ significantly from for-profit enterprises' governance, especially in mission and performance measurement, leadership, and board interactions. In this respect, the top-level administrator in NPOs is crucial to achieving organizational goals and has a deep influence on the organization. This managerial reality can lead to the centralization of the decision processes.

However, high administrator turnover in the non-profit sector makes organizational fit difficult. As the sector is consolidated, detailed management infrastructure and broader professional skills are required to manage more extensive and complex organization. Thus, the number of professional administrators needed in each organization gradually increases. Average administrator salaries in NPOs are generally lower than in for-profit organizations. Therefore, attracting experienced candidates from similar public and private sector positions remains a challenge for NPOs (Froelich *et al.*, 2011). Still, NPOs' need for professional administrators when building a solid organizational structure is indisputable, and founders and the board play an essential role in meeting this need.

### **3.4. Founders and Board**

The board's leadership as the ultimate authority in NPOs is essential for the third sector's success (Cheverton, 2007). The moral assumption is that a board will conduct the NPO's

business as a public official and ensure that it serves broader social interests (Herman and Renz, 2000). Therefore, an NPO is unlikely to reach its full potential without an excellent board. Since the board works voluntarily, many organizations face recruitment difficulties, and consequently, staff is continuously insufficient. Due to this shortcoming, many NPOs have very low or no selection criteria for voluntary board members. There are no universally valid guidelines for recruiting and selecting board members, just like there is no best way to structure or form a board. For example, on a founding board, most members are committed to improving the programs their organization offers. Because they or one of their families needs or can benefit from the service provided, they get personally involved in the organization's management (Kreutzer, 2009). This form of participation shows that NPO executives often aspire to tasks because they benefit from their services.

NPOs do not have legally entitled owners. Therefore, unlike for-profit organizations, NPOs do not have acquisitions such as property incentives, stock-based compensation, the foreign market for corporate control, and derivative assets (Brickley and Van Horn, 2002). In this organizational structure without shareholders, it is instead the board that defends the NPO's mission and sustains this mission before founders, donors, staff, the government, and the target audience. Simultaneously, the board's role in preventing administrative misconduct can be crucial (O'Regan and Oster, 2005). Stakeholders do not expect NPO boards to comply with these responsibilities solely to meet legal requirements. Moreover, a board that performs their duties more effectively contributes to increased organizational efficiency (Herman and Renz, 2000). According to O'Regan and Oster (2005), this expectation provides a more uncertain list of responsibilities and a broader authorization to the board. In this direction, boards that monitor executives, just as in the corporate business world, undertake more operational tasks and capture resources.

Accordingly, NPOs have begun to adopt business techniques used in the for-profit sector, as they increasingly faced typical market pressures such as competition for financing and the need to earn money to perform their mission (Dolnicar and Lazarevski, 2009). According to Giffords and Dina (2004), NPO leaders should continuously assess current social needs to meet society's future needs. This idea is fundamental in providing useful services to the organization's stakeholders. Partially, identifying these needs allows an organization to re-evaluate its mission, define its functioning, and set its objectives.

Kreutzer (2009) stated that the complexity of board's task continuously grows as it evolves from an introverted structure to an extroverted form. The board is the link between the volunteer organization members and the professional staff and must transform the members'

interests into organizational goals. Therefore, the board, administrators, and staff must act as facilitators to volunteer members. Thus above all, developing effective relations with the public and the government is necessary for a successful board.

#### **4. Public and Government Relationships**

Despite the significant relationship between the government and the non-profit sector, this relationship has grown without much attention or focus. Therefore, uncertainty remains as to the expectations of these two sets of institutions from each other and how their relationship should best develop. The government and the non-profit sector are involved in a wide range of connections that can be collaborative, oppositional, or complementary. Still, all are important for a vital democracy's effective functioning and the public interest's successful promotion (Schuman *et al.*, 2020). Therefore, the relationship between the government and NPOs is at a critical development point in many countries (Smith, 2010). As such, NPOs and governments should establish continuous and tight links to alleviate the government's social responsibility. These links also reflect NPOs' interest in governance rather than the government, as governance includes government actions and goes beyond government to address citizens' role (Brinkerhoff and Brinkerhoff, 2002). Therefore, the understanding of governance continues to spread from the third sector to the private and public sectors in economic relations.

Also, while NPOs operate independently to a significant degree, they generally communicate with the government while performing their social responsibilities. The various government levels - federal, state, and local - determine the broad legal framework within which NPOs operate. Government policies affect individual and corporate donation decisions and incentives for volunteering. At various levels, governments rely massively on NPOs to provide publicly funded services and substantial financial support to them in the process. Governments also turn to NPOs to improve and form public policy and resolve social problems. Finally, the government allows the public to ensure that non-profit activities are accountable and legitimate (Schuman *et al.*, 2020). NPOs' resource capture activities only take place within this legitimacy.

Moreover, NPOs' creation of sustainable social value and achieving their mission depends on the effectiveness of their political and social relations. An NPO can reach resources by giving confidence to the ecosystem it exists in. Corporate reputation enables donors to contribute more efficiently to the mission, and the state to make legal arrangements in favor of the NPO. To ensure this trust, boards must apply professional public relations management.

Accordingly, NPOs should transparently share their mission, vision, and strategy with the public. NPO should measure the activities' social value, report the outputs, and share them with the public, local government, and stakeholders. Only in this way can NPOs become an influential actor in the third sector. Let us dive a little closer into critical issues such as accountability and trust that strengthen governmental and public relations.

## **5. Accountability and Trust**

The third sector gradually expanded through the transfer of services previously in the government's activity and supported by the social contract system for serving the public. This expansion has led NPOs to become private providers of public services using public funds (Akingbola, 2006). According to Hull and Lio (2006), both NPOs and for-profit organizations are responsible to the law, government, public, staff, and target audiences for their activities. However, while for-profit organizations are mainly accountable to their shareholders, NPOs are almost equally responsible to their supporters and stakeholders.

Greiling (2007) states that trust is an essential factor for NPOs. The activities of NPOs are mainly in the service sector, and these services are mostly intangible to varying degrees compared to tangible goods. Besides, performance measurement is difficult in the service sector, where performance is characterized by a high degree of experience and reputation. Non-experts cannot evaluate the quality of unique goods and services even after use. Therefore, stakeholders expect and demand NPOs to be reliable (AL-Tabbaa *et al.*, 2014). Social trust, created through reciprocity and responsibility, is a social capital that facilitates the acquisition of resources in the bilateral relationship and relationship networks. Issues related to trust will likely be complicated as NPOs move from non-profit activities to market-oriented activities, as their stakeholders have conflicting interests and can be driven by specific social missions.

Therefore, NPOs' knowledge of trust can increase their business activities to more effectively obtain resources and manage relationships. These relationships can also facilitate successful business growth (Schloderer *et al.*, 2014; Eng *et al.*, 2011). Therefore, public disclosure of NPOs indicates the importance of the services offered to the public. Moreover, the principle of accountability is a requirement for institutions to be responsible to vulnerable and excluded individuals (Akingbola, 2006). The social economy needs reputable NPOs to add value to the lives of these individuals.

In this context, NPOs facilitate trust and interaction by defining member rights and responsibilities, creating special role groups within the organization, internal authority and accountability systems, promoting norms and behavior patterns that are considered beneficial

for the group, and preventing harmful ones (De Vita *et al.*, 2001). Accordingly, NPOs should prove their success and efficiency in solving social problems by correlating the number of individuals receiving service compared with the budget allocated to specific programs (Akingbola, 2006). NPOs often face the dual task of achieving mission-related goals while maintaining a strong financial position that ensures survival (Carroll and Stater, 2009). Therefore, it is critical to examine the target audience aspect of the issue.

## **6. Relations with the Target Audience**

The mission statement guides NPOs as to their target audience. Therefore, selecting the target audience is a relatively straightforward process. However, the target audience is further divided into a narrow target audience and a broad target audience. In a narrow sense, the target audience is disadvantaged communities, such as the poor, children, older adults, and patients, in order to create social value. In a broad sense, the target audience is donors, members, government, and other stakeholders who provide the tangible and intangible resources necessary to create this value. However, persuading both target audiences depends entirely on confidence and a strong image. However, as the social value an NPO provides to its target audience in a narrow sense increases, the resources and donations it obtains also increase. For this reason, the successful relationships developed with the target audience become the reason for an NPO's continued existence. Nonetheless, it is not easy to create these relationships. Generally, relationships with the target audience are more challenging and complex in NPOs. This complexity stems from the fact that the target audience's benefits in the third sector are not obvious, or these benefits are only understood over the long term (Andreasen, 2012).

Similarly, Kreutzer (2009) states that NPOs face the challenges of effectively serving very different target audiences simultaneously. NPOs operate for many purposes, including public health and safety, education, charity, food, clothing and shelter, labor, sports, politics, religion, defense, philanthropy, fraternity, business support, and civil rights (Weerawardena *et al.*, 2010). Therefore, according to Ranford (2020), NPOs recognize the audience they are trying to connect with, allowing them to create a better service and increase their mission awareness.

However, there are other difficulties in the relationship between NPO and the target audience. For example, identifying the ways social marketing efforts work- and how to optimize strategies- is further handicapped. Sometimes, there are no visible responses to the marketer's actions (e.g., not doing drugs), or effects may take many years to become evident (e.g., anti-obesity programs). Even when immediate behaviors can be observed, behavioral changes are often the result of many different programs and initiatives' marketing efforts. Therefore unique impacts



are difficult to trace to specific marketers, compounding the difficulty of modeling cause-and-effect linkages (Andreasen, 2012). Thus, it is hard to determine how much of the social impact towards the target audience is caused by a particular NPO.

Target audiences are often unaware or unable to articulate which marketer caused what outcome. As a result, non-profit and social marketers routinely pay attention to other indicators of progress. Often, these are in the form of internal measures of outputs and external measures of contacts rather than behavioral change (Andreasen, 2012). In this manner, NPOs can make better decisions to improve its service, build the right brand image, and fine-tune the brand design. Brand awareness can make fundraising much more manageable as it attracts attention from the community towards the message conveyed by the NPO (Ranford, 2020). This awareness ensures that an NPO obtains support by the appropriate individuals and institutions.

Because of all these explanations, it is necessary to determine volunteers' motivations and their effects on social attitudes towards philanthropic behavior to understand how to better attract volunteers (Briggs *et al.*, 2010). To this end, according to Andreasen (2012), target audience research should consider a range of behaviors as desired outcomes - not just sales - and should identify commonalities and differences between the target audience. Thus, NPOs will be able to capture resources better and manage its relations with its donors more effectively. Easy access to donors and resources also provides a robust financial structure.

## **7. Fiscal Management in Non-Profit Organizations**

As in every organization, fiscal relations are very crucial in NPOs for achieving their mission. The continuance of NPOs depends on the sustainability of resources capture. Therefore, administrators must have excellent financial management insight. This insight also determines the quality of the relationship with donors. NPOs operating without profit motives are very fragile in their income streams. This vulnerability requires a professional approach to fundraising, financial issues, and donor relationships. It is thus necessary to more closely examine these critical elements.

### **7.1. Resource Capture and Financial Issues**

NPOs' ability to achieve their social mission and ensure their sustainability mainly depends on various funding sources and donations such as private contributions, government funds, and commercial activities (Eng *et al.*, 2011). Therefore, effective financial performance has become more critical for NPOs as governments have reduced public subsidies in recent years (Helming *et al.*, 2014). This has led many NPOs to have insufficient and unstable funding,

which leads to their organizational activities being constrained by the people and institutions providing resources. Under these conditions, the proper use of resources (Cheng and Chang, 2012) and effective planning and budgeting are crucial for NPOs. NPOs should reassure resource providers through various activities to support their mission-related work. In this context, NPOs need to create the classic fundraising image to attract charitable donations from individuals and companies for socially valuable programs (Froelich, 1999). In this way, volunteers lead conservation efforts that positively impact society's well-being and contribute to these efforts as staff. Therefore, while NPOs should not waste their environmental partners, they need volunteers for the community's long-term welfare, the wise use of resources, and to gain and sustain policymakers' support (Briggs *et al.*, 2010). Clear and transparent communication and accountability with stakeholders are essential for NPOs to secure their resources.

The third sector cannot realize its potential without the injection of financial resources. Therefore, NPOs need finances for staff wages, office, equipment, and supplies. They cover some of these costs through donations, investments, memberships, and pricing for services. However, self-generated income is insufficient to sustain the sector (Community Foundation, 2020). According to Tuckman and Chang (1991), the financial condition of an NPO depends on many factors. These include its supporters' generosity, adequacy, stability, diversity of its income, management quality, capacity to withstand fluctuations in revenue, and capital size. Differences in these factors make some NPOs resilient to financial shocks, while others are quite vulnerable.

Some of the most common income sources for NPOs are donations, contributions, gifts, or grants (Weisbrod, 1998). One of these organizations' characteristics is that their finances are not directly linked to service delivery (Potluka *et al.*, 2017). A unique and complex fact of non-profit funding is that donors can impose restrictions on NPOs as to how their contributions will be used. These restrictions may limit how NPOs can spend resources (a temporarily restricted donation) or require the NPO to keep the donation permanently and only use the earnings from the donation (a permanently restricted donation) (Calabrese, 2011). According to Weerawardena *et al.* (2010), governments have also been a traditional funding source for NPOs.

Potluka *et al.* (2017) stated that NPOs need short and long-term sufficient financial capacity in several interrelated categories to achieve their missions. According to the authors, this financial capacity includes human resources, operational knowledge, expert knowledge, and political networks. As such, organizations need sufficient financial resources to recruit professional staff and pay their salaries. However, NPOs may face financial failures, which can lead to a weak economy and a consequent decrease in donation levels, lack of funding in general,

lack of administrative capacity, lack of transparency and risk management, inadequate resource planning and development, inadequate financial controls, and best practices policies, procedures and standards (Cheuk, 2016). In this context, *Potluka et al.* (2017) state over the long-term an NPO's financial capacities are related to its sustainable levels of tangible assets. Stable donations are also essential for the sustainability of tangible assets for achieving a social mission.

## **7.2. Managing Relations with Donors**

Charities mainly earn income from donations made by individuals, grants from the public sector, or charitable organizations. This income method means that economic conditions play a considerable role in third sector revenue (IBIS World, 2020). Donations are voluntary and based on the goodwill of contributors. However, even NPOs that satisfy their consumers may not see an increase in donations as donations are based on donors' satisfaction to contribute to the organization, and are not directly related to the NPO's work. To the extent an NPO is based on donations, it is subject to changes in donors' tastes and preferences. In this context, there are various reasons for instability in donations. For example, if it is fashionable for donors to fund AIDS research and cerebral palsy, there will be significant fluctuations in the income of NPOs in these areas (Tuckman and Chang, 1991). According to Calabrese (2011), on the other hand, evidence shows that donors prefer to donate to NPOs that have stable and constant financial concerns. Organizational wealth increases the likelihood that an NPO will not cease its operations and will continue to provide charitable output. The wealth of NPOs is a valuable signal for donors to decide that financial vulnerability will not interrupt the continuity of their charity program.

In this framework, reputation emerges as an essential concept to explain which NPOs attract charitable donations and volunteers. Reputation is one of the most important intangible assets for an NPO's survival (Schloderer *et al.*, 2014). In this context, Santos *et al.* (2019) state that stakeholders expect NGOs to provide rigorous and transparent information about their accountability practices. Donors' decision to contribute depends on the reputation of this transparency.

Briefly, NPOs' revenue flow is dependent on tangible, intangible, and cash donations. However, these donations are very fragile and unstable. This uncertainty in revenue streams threatens NPOs ability to accomplish their social missions. This systemic risk indicates that the third sector has a fragile nature. Indeed, the third sector has an ecosystem that requires the highest levels of management and organization practices. Without a robust organizational structure and professional management practices, NPOs cannot develop a corporate

reputation. Donations to NPOs devoid of a good reputation can quickly decrease or even run out. This dramatic result causes many NPOs to fail and cease to exist. The critical importance of supporting philanthropic motivation with professional practices is evident. Contact with the target audience requires ethics of solidarity and scientific approaches. Otherwise, it becomes difficult for NPOs to obtain regular donor support.

For this purpose, an effective implementation process is necessary for NPOs. In fact, in management theory, implementation is part of every step of the process. Effective strategic plans and virtuous missions can only have a social impact with a proficient implementation process. Also, an effective performance assessment system is required to determine this social impact. This means it is necessary to examine the implementation process and performance measurement system.

## **8. Implementation and Performance Measurement**

One of the most common activities in the management process is planning and implementation. To determine where the organization is going, whether it is closer to the private or public sector, the organization needs to know precisely where it stands and then determine where it wants to go and how to get there. Planning is smart preparation for implementation. The planning process differs from other pre-decision activities in that it is systematic, deliberate, and continuous (Kriemadis and Theakou, 2007). The effectiveness and quality of a plan depend on its practicality. Plans that are detached from context and content negatively affect successful implementation.

After developing its strategic plan, an NPO should effectively implement this plan (Ivanovic and Antic, 2011). NPOs should be more concerned with improving their productivity than other organizations as most of their resources are selflessly given by donors. Therefore, they have a greater responsibility to use these resources efficiently to demonstrate that they deserve support and increase donors' motivation towards the NPO's social goals (del Mar Gálvez-Rodríguez *et al.*, 2017). In this context, the implementation of any quality standard model and service quality assessment creates an opportunity for timely response, correction of possible errors, and adaptation to environmental requirements, all of which contribute to a competitive advantage in the market (Ivanovic and Antic, 2011). In implementation, managers should consider and clearly and transparently communicate with all stakeholders, and give them continuous and on-the-spot feedback to reduce error rates.

Briefly, administrators can quantitatively measure their organizations' relative effectiveness (e.g., by counting profits) in for-profit organizations. In contrast, the concept of public service

is more ambiguous, so their success is more difficult to measure (Giffords and Dina, 2004). This uncertainty often worries stakeholders about the outcomes of the activities. Therefore, NPOs should continuously evaluate the implementation effectiveness and outputs within the framework of performance measurement.

NPOs should evaluate their activities according to external factors, the needs of a wide variety of stakeholders, and internal decision-makers' current interests (Hull and Lio, 2006). For many donors, especially business people, the lack of performance standards and metrics in the philanthropy world is particularly troubling. Donating without an effective performance evaluation process is doomed to be an emotional practice that never asks difficult questions about philanthropy's social benefits (Frumkin, 2003). An NPO's mission becomes the criterion used to evaluate past performance and plans for future activities. It defines the value that the organization offers to society and constitutes its purpose (Moore, 2000). However, it is challenging to measure mission success. For example, how can NPOs evaluate their performance in conserving biodiversity? What criteria should they use to measure their impact on poverty reduction? When should an organization admit that it has failed to fulfill its mission? The ambiguous nature of task accomplishment further complicates this problem (Helming *et al.*, 2014). Administrators should make special efforts to understand and resolve this complex issue.

Morris *et al.* (2007) determined that the performance metrics used by NPOs are both social (e.g., individuals counseled, amount of blood collected, improved psychologies) and financial (e.g., revenues from operations, financial contributions, donations, hours of volunteer work, etc.). It may be difficult to measure overall progress in achieving a particular social goal (e.g., a cleaner environment, cultural enrichment of a community, reduction in domestic abuse). Also, improved social performance does not necessarily lead to better financial performance, and vice versa. Just as financial performance becomes the cornerstone for measuring past and planning future performance in the for-profit industry, mission performance becomes the cornerstone for measuring performance in NPOs (Moore, 2000). Ghatak (2020) states that NPOs should strike a balance between their mission and financial concerns.

NPOs are required to provide detailed information to their stakeholders about the results of their activities (number of customers served, financial reports, project plans, number of brochures distributed, number of presentations, etc.) (Ivanovic and Antic, 2011). In some cases, external consultants prepare periodic evaluations to estimate the impact of NPO programs, services, and activities. Practice so far has proven that such data is most often collected at the founders' request, rarely to improve analysis or further processing by the

organization itself. However, the main thing is that the measurement results should be used in managerial decision-making. Thus, available resources, methods, and approaches allow for improved efficiency and effectiveness and provide real benefits for all stakeholders. Crittenden and Crittenden (2000) derived and examined four measures of NPO performance: (1) administrator satisfaction, (2) volunteer / member satisfaction, (3) donor satisfaction, and (4) change in service/activity/product delivery.

Administrator satisfaction is related to the job satisfaction levels of administrators working with salaries lower than the market standard in the for-profit section. For NPO executives, moral satisfaction is beyond material well-being, and they can only perform this through accomplishing their mission. Therefore, stakeholders can set positive opinions about the performance of organizations with low administrator turnover. Volunteer members are an NPO's workforce engine. People not only donate cash to NPOs, but also their knowledge and time. Volunteer members' knowledge, experience, and time is a unique resource for NPOs. The more volunteer members an NPO can attract from the ecosystem, the more effectively it can achieve its social mission. As seen, there is a mutual relationship between volunteer members and mission success. While NPOs attract more volunteer members as they reach their missions, as their number of members increases, they have the resources to perform more crucial missions. Therefore, NPOs that satisfy their volunteer members have higher performance. Donor satisfaction is vital for NPOs, especially given the aforementioned fragility of donor support and how it forms a systemic risk for the third sector. If an NPO has no difficulty collecting donations from the ecosystem, that NPO's performance is high. Because donors are very meticulous about generating social value, they only donate to NPOs that achieve their social mission. Donor satisfaction is a precursor to the stability of donations. The last performance indicator is the ability to quickly adapt project content to the changing context. Social and technical changes are rapidly changing stakeholders' expectations from NPOs. However, NPOs that can keep up with this change and development can satisfy their administrators, volunteer members, and donors. Therefore, the ability of NPOs to adapt to new business models is a critical performance indicator. Consequently, it is necessary to examine the trends and developments in the non-profit sector.

## **9. Trends and Developments in Non-Profit Organizations**

NPOs need to continually improve their performance. The demand for integrated, dedicated, and timely services encourages NPOs to follow new managerial paradigms (Lettieri *et al.*, 2004). In particular, trends in economy, demography, technology, communication, and even how individuals spend their leisure time can affect the decisions made by NPOs and their

destiny as effective and sustainable organizations. For instance, trend analysis sheds light on the inclinations of NPOs. This analysis equips administrators and investors in philanthropic NGOs with useful information to make decisions and plan for the future (National Council of Nonprofits, 2020). Therefore, NPOs cannot afford to isolate themselves from current economic, technological, and social developments, and it is the primary responsibility of executives to develop insight into these developments.

The top three trends towards philanthropic NGOs will continue to be: (1) limited resources, (2) increased demand for NPOs due to growing needs in communities, and (3) increased awareness among each NPO and board member must that they must be an active and vocal advocate of the NPO's mission to influence policy at the communal and national levels. Some other significant trends in the non-profit sector can be listed as follows (National Council of Nonprofits, 2020): (1) preserving NPOs; (2) providing moral leadership for diversity, inclusion, and equity values; (3) budget cuts; (4) cybersecurity; (5) changes in charitable donation; (6) natural disasters preparedness and recovery; (7) more respectful relationships between donors and non-governmental organizations; (8) donor-proposed funds; (9) gender-based pay gap; (10) peer-to-peer fundraising and crowdfunding; (11) board members as advocates: represent your mission; (12) health for NPOs: being sustainable is more than cash.

Market failures and governments' inability to produce social policies increases demand for the third sector day by day. The competition over resources in this field is also simultaneously increasing. Therefore, NPO managers need new resource capture and financial management strategies to protect their organizations. Due to increasing government budgets and cybersecurity problems, learning anonymous global donors' names discourages donors from support and puts NPOs in financial difficulties. Also, the fact that donors can support many different social missions via the internet increases the competitive pressure on NPOs. Therefore, donors now determine the scope, content, and modeling of funding. Especially in recent years, donors expect NPOs to produce more projects on natural disasters and gender inequality. The environmental and social problems of our planet continue to be the primary concern of the social economy. In this context, donors have started to entrust the board with more duties to protect the mission focus of NPOs. Also, strategic cooperation, joint projects, and co-financing relations between NPOs are gradually increasing. While all these new approaches and business models contribute to the sustainability of NPOs, they also threaten the existence of some NPOs.

However, according to the National Council of Nonprofits' (2020), it has been observed that personal communication has played a crucial role in the non-profit sector recently. The

times of extensive messaging with the target audience are over. Consumers are used to a personalized shopping experience, and as a result, donors expect the same. They want to know what difference they have made, and how it reflects their donation history. This development means sharing stories about the people served, creating opportunities to get to know donors closely, and segmenting mailing lists based on previous engagement and interests (such as volunteers, current donors, and former donors). It is time to invest in marketing and donation software that captures information such as donation history, events attended, and promotions supported. Also, mobile communication is a necessity for NPOs. At the end of 2019, more than half of the world's website traffic came from mobile devices, and 42% of all emails opened came from mobiles or tablets. Mobile devices continue to be the preferred reading environment, and therefore NPOs must ensure that their websites, blogs, and emails are mobile-friendly. Finally, the importance of data-based marketing is increasing day by day for NPOs. NPOs should use data to verify their marketing strategy. Using data means taking the time to monitor social media performance, emails, and blogs and evaluate what activities are working or not. NPOs should be aware of marketing comparisons in order to know what they can and cannot measure.

As can be seen, the difficulties encountered by NPOs in the 21st century and the methods and tools to be used to overcome them are clear. We are living in a digital transition period, and it is inevitable that the third sector, like the private and public sectors, will also be affected by this period. Therefore, NPO boards have more responsibility than ever before. Managers must recognize and understand new approaches and perspectives. NPOs should modify their unique organizational structures and managerial processes within the framework of these trends. Otherwise, NPOs' relationships with their stakeholders may weaken, and they may be deprived of the resources they need to accomplish their missions. It is the job of skilled managers to recognize early warning signals and revise strategies accordingly.

## **10. Practises: Contemporary Examples**

Today, thousands of NPOs, covering a wide range of tasks from international development to animal welfare and the prevention of Alzheimer's, are fighting for a better life for humanity all over the world. Providing information about a few of them can help to elucidate the topic further.

For example, in Africa, where children often die of diarrhea due to poor hygiene, Dignified Mobile Toilets (DMT), founded by Isaac Durojaiye, operates a franchise system for public toilets. It provides mobile toilets to slum areas where previously unemployed young people manage toilets and charge a small fee for their use. These operators hold 60% of the revenue



and transfer the remaining money to DMT, which uses it to purchase new toilets (Ghatak, 2020). Thus, DMT offers an alternative to the current common and unhygienic practice of people relieving themselves on the street. It also aims to attack the unemployment situation, especially among young people. More than half of Nigeria's population is under the age of 35, and most are unskilled. When discussing Nigerian employment statistics, it is believed to be in the 17% range, with an even higher rate among urban youth. About 55% of the unemployed are secondary school graduates, underlining that education and skills do not guarantee employment (Schwab and Hartigan, 2006). Therefore, the DMT project is a unique example that demonstrates the contribution of NPOs to the social economy in job creation.

A group of caregivers and individuals founded the Alzheimer's Association in the United States of America in 1980. This NPO aims to pave the way for ending Alzheimer's and all other dementia problems by accelerating global research on Alzheimer's, reducing risk, and increasing early detection maximizing quality care and support. The association is the NPO leader in the care, support, and research in Alzheimer's. The founding chairman of the association, Jerome H. Stone, gained insight into the Alzheimer's movement when his wife Evelyn was diagnosed with the disease. However, information about Alzheimer's disease - even in the medical community - was quite limited in 1970. Mr. Stone worked with perseverance and determination to help generate global debate about the disease. Today, the NPO reaches millions of people affected by Alzheimer's and all other dementias (The Alzheimer's Association, 2020). To solve this growing crisis, the Alzheimer's Association is working at the global, national, and local levels to improve care and support for everyone affected by Alzheimer's and other forms of dementia. The Association is the leading voice of Alzheimer's disease advocacy and fights for critical research, prevention, and care initiatives in Alzheimer's at the state and federal level. As the largest non-profit fundraiser of Alzheimer's research, it accelerates treatment methods, prevention, and ultimately a cure. Thanks to its partnerships and funded projects, it has been part of all the significant research advances in Alzheimer's over the past 30 years. (National Health Council, 2020). Today, the association reaches millions of people affected by Alzheimer's and all other dementias (The Alzheimer's Association, 2020).

Another remarkable example is the San Diego Zoo. San Diego Zoo Global is an NPO determined to save species worldwide by combining its expertise in animal care and conservation science with inspiring passion for nature. The zoo and safari park of the establishment are paradises where endangered species are cared for and reproduced. These areas provide opportunities to conduct animal behavior and health studies that would be

difficult, if not impossible, in the wild. These studies' results are then shared with other zoos and wildlife parks and guide animal conservation efforts in field projects. The expertise of animal care staff, veterinarians, nutritionists, gardeners, and conservation scientists working with animals at the zoo and safari park is priceless in informing the public about the challenges animals face in the wild (San Diego Zoo, 2020). Also, the Conservation Science Teacher Workshops at the Zoo is a nationally recognized and fully accredited program with an excellent reputation for providing teachers with access to unique knowledge and experiences. The workshop has trained approximately 1,500 middle and high school science teachers and informal science educators from 50 states and 22 countries to date. Participants spend their days working hard at the Conservation Education Lab and their evenings at the San Diego Zoo Safari Park (sleeping in the Roar and Snoring tents). They spend their time interacting with staff members and learning invaluable new skills to take back to their home campuses. With many new types of focus in mind, the workshops are working to frame next generation science standards in wildlife conservation and explore ways to challenge students to apply life science textbook knowledge to current biodiversity challenges. Participants take part in activities that focus on endangered species' critical issues using a variety of advanced technical tools and techniques. All activities and curriculum are shared and ready to be implemented in the classroom. Also, graduates of the program have the opportunity to borrow kits containing high-tech equipment that their schools may not be able to provide due to cost - items such as micropipettes and telemetry monitoring equipment (Dunch, 2019). The San Diego Zoo Global field projects also take researchers to regions worldwide, working with local people, environmental scientists, partner organizations, and government agencies. These projects take place in the most biodiverse areas on the planet, from the Amazon rainforest to the African savannah and from the Indonesian jungle to the Arctic tundra. The organization's goal is to save the unique species living there for future generations (San Diego Zoo, 2020). The example of the San Diego Zoo shows that NPOs often have missions that look after human well-being and animals' welfare.

Scott Harrison founded Charity: Water, a nonprofit which since 2006 has funded nearly 30,000 water projects in 26 countries worldwide, and provided access to clean water to 8 million people worldwide. More than a million people have donated more than \$ 300 million for this purpose (Clifford, 2018). Today, 785 million people live without clean water. This means that around 1 in 10 people worldwide do not have access to their most basic vital needs. The majority live in isolated rural areas and spend hours walking each day, collecting water for their families. Not only does walking for water take children out of school or take time

that parents can use to earn income, but the water often carries diseases that make them sick. Whereas, when a community has access to clean water, it can change almost everything, as access to clean water can improve health, increase access to food, grow local economies, and help children spend more time at school. The water crisis is enormous but solvable. Using a well, piping system, BioSand Filter, or rainwater harvesting system, the organization works with local experts and community members to find the most sustainable solution wherever it operates. At each water point funded by the organization, partners coordinate sanitation and hygiene training and establish a local water committee to keep the water flowing for years (Charity:Water, 2020). Since its beginning, it has worked in 20 countries but has spent more money to drill wells and install hand pumps in the Tigray region of Ethiopia than anywhere else - estimated to be approximately \$ 27 million. The organization hopes to provide evidence that the global water crisis is solvable by ensuring that nearly four million people, the entire rural population of the region, have access to clean water. So far, Charity: Water claims to provide clean water to one million people in the area (Chafkin, 2013). Charity: Water is a unique example that continues to generate social value for communities' well-being.

GlobalGiving has an attractive non-profit organizational model and mission. It supports other NPOs by connecting them with donors and companies. Since 2002, it has helped trusted, community-led organizations from Afghanistan to Zimbabwe (and hundreds of places in between) access the tools, education, and support they need to make our world a better place (GlobalGiving, 2021). GlobalGiving acts as a mediator between donors and local partner organizations that implement and monitor projects in the field. The idea behind such targeted online donations is to reduce the number of agents between donor and recipient to provide a more vital and efficient tool for development financing. This model also allows donors to have greater control over the types of projects their donations will support and provides insight into how specific dollar amounts are used to make a difference for each program (Poverty-Action, 2021). According to the organization (GlobalGiving, 2021), since 2002, the foundation has raised \$552 million from 1,247,810 individuals and organizations and has supported 29,020 grassroots projects in 170 countries. This NPO has a crucial mission that contributes to the third sector's holistic development in a non-profit context.

There are many NPOs in the third sector that support the social economy through their various missions. For instance, in health, Doctors Without Borders (Médecins Sans Frontières, MSF) produces solutions to critical social problems globally (Doctors Without Borders, 2021). This NPO was founded in Paris in 1971 and is an international humanitarian organization that provides emergency medical assistance to endangered populations in more than 70 countries,

which led the organization to receive the Nobel Peace Prize in 1999. MSF provides independent and impartial service to those who need it the most. MSF reserves the right to speak out to address neglected crises, oppose the aid system's deficiencies or abuse, and advocate improved medical treatment and protocols (Devex, 2021). In 2015, over 30,000 MSF staff, local doctors, nurses and other medical professionals, logistics experts, water and sanitation engineers, and managers provided medical assistance in over 70 countries. The organization has offices in 21 countries/units, mostly in the Global North, but also including locations such as Brazil, South Africa and Hong Kong (Paul, 2019). Doctors Without Borders has developed and manufactured prepackaged disaster kits that are ready to move in hours, including a complete operating room the size of a small conference table and a file-size delivery kit with two drawers. These kits are now used as models by emergency organizations around the world. There is an ongoing process to review kits every time a new drug or medical device is available. The organization has four logistics centers based in Europe and East Africa, plus emergency supplies warehouses in Central America and East Asia to respond to emergencies as quickly as possible. This NPO purchases, tests, and stores equipment, including logistics centers, vehicles, communications equipment, power supplies, water treatment facilities, and nutritional supplements. Planes can be loaded and flown to crisis areas within 24 hours, and in logistics centers, prepackaged disaster kits are already specially cleaned and ready for flight. In China and Dubai, it also stores thousands of tents, shelter kits, and other non-perishable items ready for immediate use in the event of a disaster (Doctors Without Borders, 2021). Also, the organization transparently publishes its annual independent auditor's reports online. According to these reports (Financial Statements, 2019), in 2019, its revenue exceeded \$440 million raised through private participants such as individuals, foundations, and companies.

Another example of an NPO with an essential social mission is Save the Children. The Save the Children Fund was established by Eglantyne Jebb in London in 1919 to improve children's lives in the UK after World War I (European Commission, 2006). Based on the founder's declaration, the UN Convention on the Rights of the Child is currently the most universally accepted human rights convention in history (Save the Children, 2021). The organization started to work in the developing world in 1936. While its mission focuses on children, it has long recognized the need to work with social, political, and economic systems that provide a child support structure. It played an essential role in international emergency aid during the 1970s and 80s, with some of its most notable interventions being famines in Africa (European Commission, 2006). This NPO has changed more than 1 billion children's lives, thanks to its work in the United States and worldwide. The organization works in more than 100 countries to give children a healthy start in life, and the opportunity to learn and be protected from harm.

This organization reached 144 million children globally in 2019 alone, 328,000 of whom were in the United States (Save the Children, 2021). According to Gnaerig and MacCormack (1999), Save the Children works for children everywhere. Permanent benefits for children can only be achieved through changes in social values, public policy, and practice. It leads through innovation to achieve such a difference. It also contributes knowledge and experience to children's agendas for the new century, promotes a global commitment to children's rights through partnerships with national and international organizations, and leveraging public support. All of its work is based on the rights initially defended by Save the Children's founders and today expressed in the United Nations Convention on the Rights of the Child.

There are also NPOs that aim to fight poverty, towards which they have achieved significant results. Oxfam International is one such example. Oxfam is a global movement of people working together to end the injustice of poverty. Working with partners, it uses practical tactics and innovation to provide development programs, public education, campaigns, advocacy, and humanitarian aid in disasters and conflicts. From sanitation and clean water to increasing girls' school attendance, it aims to not stop until everyone on the planet enjoys a life free of poverty. The name "Oxfam" comes from the Oxford Committee for Famine Relief, founded in Britain in 1942. The group campaigned to send food supplies through an allied naval blockade to starved women and children in occupied Greece. Oxfam continued its work after the war, sending material and financial aid to groups helping poor people in Europe. As the situation in Europe improved, Oxfam's attention shifted to the needs of people in developing countries (Oxfam, 2021). This poverty and suffering will never end unless inequality is tackled. The problem of poverty can only be solved if the gap between the richest and the rest is closed (Oxfam Inequality Guide, 2017). In 2000, 12 national Oxfam member organizations agreed to go beyond aid and assistance to the poor. Oxfam's new approach was based on a systematic analysis of global governance, particularly the relationship between poverty, human rights, development, and trade. With this strategic plan, Oxfam has embraced what it calls a "*rights-based approach*" to development. Inspired by the Nobel laureate economist Amartya Sen, the NPO envisioned concrete policies to ensure WTO rules do not harm development or human rights. The NGO pledged to put economic and social justice at the top of the world's agenda. While other civil society groups, academics, trade unions and activists have long argued that trade agreements may harm certain human rights, such as workers' rights, Oxfam has approached the issue from a broader worldview. Noting that poverty, development, human rights, and trade are linked and should be addressed consistently, Oxfam argued that these rights should be placed at the center of international bodies and governments' agendas (Aaronson and Zimmerman, 2006). For example, from 2011

to 2012, there were significant food crises in East Africa where agricultural production fell by a quarter from 2010, and food prices rose by 25 to 60 percent from the five-year average. For this reason, Oxfam International supports small-scale farmers and agricultural programs by helping them adopt new farming techniques and tools, access markets, and survive the impacts of climate change (Manurung, 2017). Today, in more than 90 countries, thousands of partners work with allies and communities to save and protect lives in emergencies, help people rebuild their livelihoods, and campaign for real, lasting change to keep women's rights at the center of everything. The Oxfam International confederation has 19 member organizations. There are also two public recruitment offices focused on raising funding and awareness about their work - Oxfam in South Korea and Oxfam in Sweden (Oxfam, 2021). Oxfam is an NPO that continues to work hard to ensure social welfare on a global scale.

As can be seen, there are NPOs on a global scale with many different missions such as helping disadvantaged communities access clean water and toilets, fighting poverty, protecting and promoting children's rights, providing health services to the poor, protecting animals and wild habitats, etc. Each of these organizations helps develop the social economy by providing unique contributions to increasing social welfare. Thanks to these charitable and professional efforts, solutions are produced for the problems and inadequacies created by the private and public sectors. These are just some of the extraordinary examples that illustrate the social impact of nonprofits.

## **Conclusion**

Our planet's population is continuously increasing, and resources are insufficient to meet this growing population's needs. This insufficiency causes inequality between regions in the world. While a part of the world lives in prosperity and wealth, others live in poverty, hunger, and famine. Communities cannot access clean water, children cannot receive education, and early deaths occur due to insufficient health care. Although companies and governments have significant responsibilities in this painful picture, they are inadequate and unwilling to produce solutions to problems. This contradiction and gap between global economic development and insufficient social welfare have caused some philanthropists to establish the third sector. The third sector has an approach between the public and private sectors and sets society at the center of economic issues. The third sector aims to establish a livable planet "for all" by expanding and developing the sphere of influence of the social economy. One of the most influential organizations that the social economy uses to achieve this goal is non-profit organizations.

This chapter highlights the essential components and working principles of NPOs that provide a holistic base for the social economy. NPOs are the primary organizations of the

third sector that are active in eliminating the failures of the private sector and the public sector on our planet, whose population is increasing day by day and is insufficient to meet people's basic life needs. Therefore, understanding the structure, function, and relations of these organizations with the ecosystem will contribute to our planet meeting human necessities in a sustainable manner.

NPOs should not be established to earn income for individuals (members and managers). However, NPOs can, of course, employ paid staff to continue their activities. NPOs are also voluntary organizations, that is, they are established as voluntary initiatives that operate in line with voluntary participation principles. However, NPOs are separated from temporary boards or unofficial organizations as they are full legal personalities. NPOs should improve social well-being, whether through the delivery of goods, services, or a combination of the two. Furthermore, they should also make information about their donors and the effective use of donations publicly accessible. However, the level of ambiguity and abstractness in social value makes measuring performance more challenging and complex for NPOs than for-profit organizations. For NPOs, the aim is not to make a profit, but to realize their mission in the most effective manner possible. Achieving the organizational mission is a critical tool in measuring the success of NPOs. However, defining vision is closely related to an organization's mission statement. The goals an NPO wants to achieve in the future depend on the fulfillment of its mission. Similarly, the mission of the organization constitutes the core of strategic guidance and practices. In this context, the mission is a tool to ensure profitability and growth in for-profit organizations, while in NPOs, the mission itself functions as an end. The mission is the shared value that holds together the NPO founders, administrators, volunteers, and donors. NPOs with ambiguous mission statements have little chance of success in the third sector.

While NPOs want to achieve their mission, they demand financial and intangible resources from donors, governments, and other philanthropists. Sustainable assurance of these resources is fundamentally related to NPOs reputation in their ecosystem. Adopting a transparent and accountable management approach, especially regarding financial processes, will increase an NPO's reputation. In this way, the individuals and organizations that allocate resources to the NPO will reinforce their views and thoughts that the organizational mission is realized efficiently. An NPO board should never forget that reputation is the most crucial resource.

In an NPO's mission, the focus is to create social value, regardless of the field it operates in. To create social value is to provide benefit to society. However, the critical issue is how to measure social value. For this, it is first necessary to identify and define the criteria and standards to be used for performance measurement. Secondly, the public should be informed

in detail about the results of the NPO's activities. In this context, the board can evaluate performance with quantitative criteria such as the number of customers served, financial reports, project plans, number of brochures distributed, number of presentations, etc. Thirdly, performance criteria must be associated with the organizational mission, and social goals must be defined before the activities are carried out.

Nowadays, NPOs should make the most of new technology to reach their target audience. Both tangible and intangible resources are limited. Therefore, NPOs have to compete among themselves to reach limited resources. To gain an advantage in this competitive environment, NPOs must offer personalized products and services to their target audience. Also, NPOs should be active in the mobile communications universe and engage with all internal and potential stakeholders. This development means sharing stories about people served, creating opportunities to know donors closely, and segmenting mailing lists based on previous interactions and interests. In this context, NPOs should ensure that their websites, blogs, and emails are mobile compatible. Moreover, the importance of data-based marketing is increasing day by day for NPOs. NPOs should use data to verify their marketing strategy. This method means taking the time to monitor performance on social media, email, and blog and evaluate which events are working or not. NPOs should be aware of marketing benchmarks in order to know what they can and cannot measure.

NPOs should manage their relations with the state and the public professionally while contributing to the social economy. The growth and development of the social economy on our planet depends on the efficient, transparent, inclusive, and effective management of NPOs as the constituent units of the social economy. Therefore, NPO's micro-level social effects contribute to the social economy's success at the macro level. The criterion of achievement at the macro level is the development of social welfare on a global scale. Social welfare will be achieved in a world where poverty ends, hunger and wars are over, everyone reaches education, health, and security needs, natural resources are equally distributed, and fundamental human rights are valid for everyone. Thus, the social economy guarantees the social welfare of present and future generations. It is, therefore, necessary to develop insight into the components of the social economy.

In order to understand the dynamics of the social economy, it is necessary to examine NPOs on a unit basis and analyze their working principles. Hence, there is a need to discover new tools of critique and forms of action on social economy and NPO, and examine the horizon for our planet's future to foresee the formation of new relationships. This study is devoted to this promising horizon.



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