



Strategic Management in Non-Profit Organization

Nur Ulwiyah¹, Agus Zainul Fitri², Imam Mutaqin³, Galuh Tisna Widiana⁴, Miftakhul Ilmi Suwignya Putra⁵, Indra Kusuma Wardani⁶, Siti Asiah⁷

^{1,2,3,4,5,6,7}Universitas Pesantren Tinggi Darul Ulum Jombang

DOI: <https://doi.org/10.55248/gengpi.2023.31642>

ABSTRACT

Some people see non-profit organizations (NPO) as unattractive and unprestigious, because they do not make a profit and only take care of people who are waiting for a helping hand. This view is exacerbated by the existence of a stigma that NPO is not accountable and transparent in public accountability, not professional in performance. This study intends to conduct a discourse counter by discussing the implementation of strategic management in NPOs as a "requirement" for becoming a social entity that helps address various societal problems. The method used is a literature review by collecting data through relevant literature. The data is analyzed, compared, and common ground is drawn to obtain a complete understanding. Fifteen articles related to NPOs were found. Nine of them examine financial management including accountability and transparency, three discuss strategic management and quality management, one examines public relations and publicity, one discusses community engagement, and the other presents a critique of strategic management at NPOs. The results of the study show that first, the NPO concept is an organization that does not seek profit, but instead helps solve community problems on the basis of volunteerism, partnership and humanity. Second, strategic management is very relevant to ONP. Practically, there are two strategic management models, namely the Fred R. David comprehensive model with a three-stage cycle and the Wheelen and Hunger model with a four-stage cycle. Third, two crucial challenges must be answered by NPOs, namely: 1) commitment and consistency in carrying out performance accountability and transparency, and 2) firmness and sustainability in participation in realizing social welfare.

Keywords: Strategic Management, Non-Profit Organization, Non-Profit, Accountability, Transparency, Challenges

INTRODUCTION

For some people, non-profit organizations (hereinafter abbreviated as NPOs) are seen as unattractive and not prestigious. This is because ONP is synonymous with being in contact with deprived people, close to the willingness to accept a life without profit, the "obligation" to share, and sacrifice for others. The stigma exacerbates this view that NPOs - especially non-governmental organizations with foreign donors - exist and operate not to help and support the government in solving community problems but to work for foreign interests. Another fact that confirms this bad reputation is that there are NPOs whose organizational performance appears to be trivial and mediocre, do not carry out public accountability and need to be more transparent in programs and finances.

The behavior of NPOs who abandon accountability can be seen in Susabda's research in Ian Raynald. He found that there were church leaders who thought they were responsible enough because they had carried out their duties as priests in the church, such as preaching, leading services, and so on, without reporting managerial works, such as publicly reporting church finances. The attitude of the church leaders turned out to affect the church members' faith, so they were not willing to give their fortune for the glory of God. Booth in Maase said that church leaders do not want the actual conditions in the church to be revealed because sacred doctrines dominate the church, so there is a rejection of the use of accounting in the church.

Simanjutak and Januari's (2011) research found that the chairman and treasurer of the mosque were deliberately not transparent in reporting mosque finances. It is because it was customary for the mosque's administrators and even local congregations to borrow money, and they often did not repay it when they learned that the mosque's finances were large.

The facts above can indeed legitimize the public's skewed view of NPOs. However, this skewed perspective is a dangerous starting point --not to say it's wrong- because it can result in society's formation of a priori and apathetic attitudes and treatment towards NPOs. However, when examined more deeply, other facts show that NPOs contribute to the community's welfare and the nation's development with their unique attributes.

The skewed image of NPOs is denied by the Central Bureau of Statistics (CBS) (Astuti, 2017). CBS said that NPOs have a significant role in Indonesia as partners with the government in addressing various issues such as law enforcement, consumer protection, poverty alleviation, literacy eradication, and environmental preservation.

NPOs are growing day by day and popping up a lot. Each institution was founded with a different background. There are institutions established based on humanity and love for others, such as the Indonesian Red Cross, the Dharmais Foundation, and the Indonesian Cancer Foundation (Arin, Cikusin, & Abidin, 2020). Some were founded based on ideals for the welfare of society, such as orphanages, religious institutions, and non-governmental organizations. In addition, there are institutions established to increase the attractiveness of certain groups in the business and political fields, such as social organizations, political parties, business associations, and labor unions.

In line with the BPS statement, fraud and covertness in NPO performance can be corrected by implementing strategic management. According to Wheelen and Hunger (in Arin, Cikusin, & Abidin, 2020), by applying strategic management, an institution could make managerial decisions and actions for the institution's long-term performance. In line with this view, David (2011) said that the principal benefit of strategic management is to help organizations formulate better strategies through a more systematic, logical, and rational approach.

Strategic management in NPOs is as essential as its implementation in profit organizations (POs). This is due to three reasons: first, as organizations, the existence of NPOs and POs both support the social system. As support for the social system, NPOs and POs must have an ideal vision and mission (i.e., rational, planned, and sustainable). This can be done only by implementing strategic management. Second, as social entities, NPOs, and POs are usually established for a long time. Maintaining and caring for the organization requires strategic management to make its existence still in demand, recognized, and appreciated by the surrounding community. Third, NPOs and POs both have a structured and organized work pattern. With such a work pattern, strategic management is needed to make the organization focused and directed toward achieving its goals.

Furthermore, the existence of NPOs in Indonesia cannot be established arbitrarily but is regulated on a formal juridical basis, such as the Regulation of the Minister of Law and Human Rights of the Republic of Indonesia Number 6 of 2014 concerning the Ratification of Association Legal Entities.

Implementing strategic management is the key to the success of NPOs in Indonesia. There are at least three underlying reasons: first, countering the view that NPOs are unprofessional in performance, not accountable, and transparent. Second, to make NPOs remain strong in a planned and systematic work pattern so that they are focused and directed towards achieving their goals. Third, maintaining its identity as a social entity that exists and is established in an extensive social system, as well as balancing the ecosystem so that social inequality does not occur.

Furthermore, to sharpen the urgency of implementing strategic management in NPOs, this research will reveal how strategic management is implemented in NPOs and the challenges that are crucial for NPOs.

NPOs are often defined as a type of organization established with the aim of not making a profit or what is commonly known as a non-profit organization. Conolly and Kelly define it as an organization that carries out its operational activities with no aim of making a profit. Even if there is excess funding obtained from these activities, it is used again for further activities to achieve organizational goals. Meanwhile, the definition of NPO, according to PSAK No. 45 issued by the Indonesian Institute of Accountants, is an organization that does not intend to profit. To maintain their existence, NPOs receive fees from members' contributions, and members as contributors do not expect to benefit from the organization. Apart from contributions from members, NPOs receive endowment funds or donations, the imposition of tariffs for services provided, and the provision of assistance from the government. NPO funding can come from donors who do not expect repayment or economic benefits commensurate with the available resources.

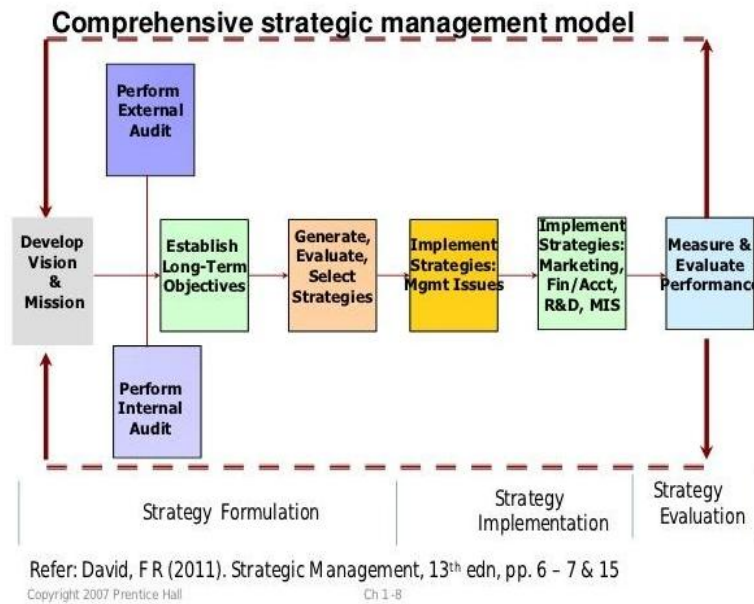
From some of the views above, it can be said that NPOs are organizations established not to seek profit or material gain but to support and help meet crucial community needs through concrete activities. Furthermore, NPOs receive the necessary funding from contributors, donors, or fundraising businesses to realize their operational activities (Maase, 2014).

Strategic Management in Non-Profit Organizations

According to David (2011), strategic management can be defined as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives. This definition implies that strategic management focuses on the process of integrating management, marketing, finance/accounting, production/operations, research and development, and information systems to achieve organizational success.

David's strategic management process starts with the activity of formulating a strategy (Fitri, Nasukah, & Tayeb, 2019). In the first stage (strategy formulation), there are sub-activities: preparing vision and mission statements, carrying out internal audits, conducting external audits, setting long-term goals, preparing evaluations, and selecting strategies. The second stage (strategy implementation) contains sub-activities: implementing strategies and managing issues that can be realized by setting annual policies and objectives, implementing advanced strategies related to allocating resources such as marketing, financial accounting, research and development, and management information Systems. The third stage (strategy evaluation) contains sub-activities: measuring and evaluating performance (Gayatri, Latrini, & Widhiyani, 2017). The three stages in David's strategic management model are known as the comprehensive model (David, 2011).

The process of the three stages of the comprehensive model is illustrated in the chart as follows:



Gambar 1.

Figure 1. Fred R. David's Strategic management (David, 2011)

Meanwhile, according to Wheelen and Hunger (2004), strategic management is a series of company steps, decisions, and actions that determine the company's long-term performance. The strategy formulation process is carried out at the management level, while the executive level carries out the implementation.

Wheelen and Hunger's strategic management consists of four stages: environmental scanning, strategy formulation, strategy implementation, and evaluation and control (Wheelen & Hunger, 2004). The first stage (environmental scanning) contains sub-activities: observing, monitoring, seeking information, and analyzing the external environment (opportunities and threats) and internal (strengths and weaknesses). The second stage (strategy formulation) contains sub-activities: formulating a vision, mission, goals, strategies, and policies. The third stage (strategy implementation) contains sub-activities: determining the program, allocating funding or financing, and preparing and determining the steps to run the program. The fourth stage (evaluation and control) contains sub-activities: monitoring and evaluating organizational performance.

Wheelen and Hunger's strategic management process is illustrated in the chart as follows:

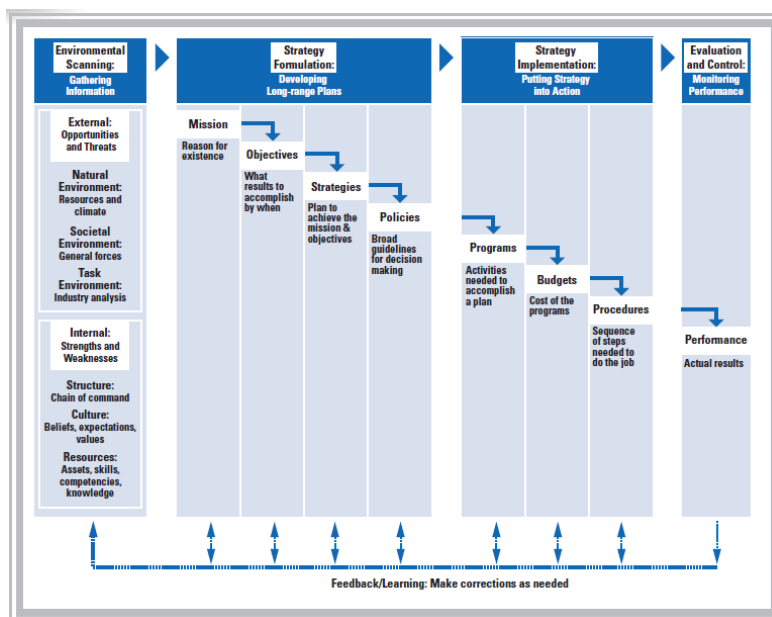


Figure 2. Wheelen and Hunger's Strategic management (Wheelen & Hunger, 2004)

Furthermore, there is one thing that is most risky in the implementation of NPO strategic management, namely finance. Finance for NPOs is a crucial matter to be managed properly, given the tentative nature of the funding sources. There are seven characteristics of sound finances for non-profit organizations: (1) having sufficient income to advance and maintain the stability of its work program, (2) having an internal cash source or access to disburse funds quickly in the short term, (3) using the revenue base budget compared to the expenditure base budget, (4) keeping a positive fund balance at the end of the year, (5) when a loss occurs, a financially sound non-profit organization will be able to accumulate sufficient profits to cover the losses incurred in that year, (6) determining reserve activities for financial development and short-term funds. Seventh, the board and management of the organization have their own responsibility for the financial stability of the organization (Wisataone, 2018).

The two strategic management models in Figures 1 and 2 can be selected and used by NPOs with their respective characteristics. However, the strategic management model's selection and use also drew criticism. One criticism of the strategic management method comes from Lyons. Lyons said that: first, strategic management is the idea of the business world, where it is understandable that business actions are designed to increase profitability, namely seeking as much profit and profit as possible. For this matter, strategic management is the same as conserving a set of values that can damage the importance of non-profit organizations, namely volunteerism and humanity. Second, by scanning its external environment, strategic management tries to find parties that are considered competitors. If it has been found, these competitors are placed face to face as rivals, and finally, the relationship that is built is competition. For this matter, strategic management is the same as recommending competition and the doctrine of rivalry in organizational building, where this value is completely contrary to the values of voluntary non-profit organizations, namely collaboration and partnerships. Third, strategic management is a method of control that runs counter to voluntary non-profit sector commitments to participation, giving voice and power to the less fortunate. Fourth, strategic management is too complex and too time-consuming for voluntary non-profits operating in survival mode, living from one month or one year to the next.

This criticism can remind NPOs to stay on track with their purpose, namely, to make changes for the betterment of society.

Non-Profit Organization Challenges

The most crucial challenge for NPOs is maintaining accountability and transparency. Why is this so? Because, as organizations that "sell" trust to the public, NPOs are faced with rampant cases of corruption, collusion, fraud, embezzlement, manipulation, and money laundering scandals (Maase, 2014). Suppose the challenge of maintaining accountability and transparency is not answered. In that case, it will morph into a threat to the existence of ONP with the collapse of public trust in it.

Cases of corruption, collusion, fraud, embezzlement, manipulation, and money laundering scandals can occur in NPOs, including religious organizations. This is evidenced by Duncan and Flesher's (2002) report on embezzlement cases in the United States, which says that NPOs and religious organizations account for about one-eighth of all major embezzlement incidents.

The neglect of the attitude of being reluctant to uphold accountability and transparency can surely collide to establish an NPO. The discussion about the purpose has been explained earlier that the establishment of NPOs is to make changes for the better for individuals, groups, and the broader community on a humanitarian basis. It means that society occupies a significant and strategic position in the continuity of the role and function of NPOs. The community is one of the stakeholders with the right to receive attention and value benefits from all NPO programs and activities, including honesty, openness, and ease of access to information services.

The position of the community as a stakeholder can be illustrated in the form of a chart. Although not explicitly owned by NPOs, the following chart provides an equivalent of who should be the concern of NPOs in carrying out their roles and functions. The chart below is derived from Stakeholder Theory.

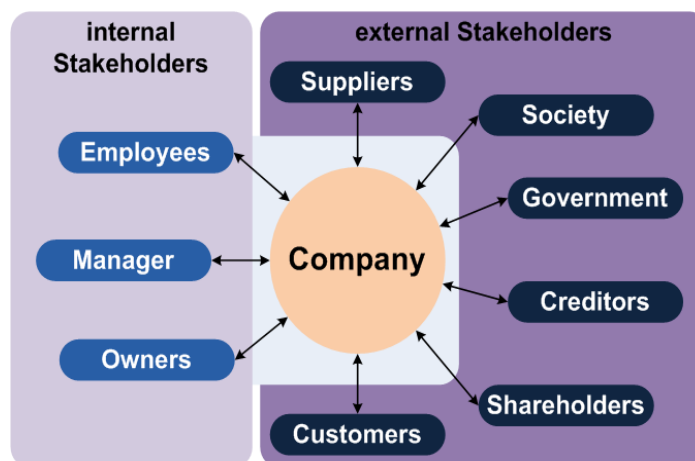


Figure 3. Stakeholder Theory (Hitt, Ireland, & Hoskisson, 2007)

Figure 3 shows that the relationship built between NPOs (equivalent to a company) and customers, community, government, and shareholders (equal to contributors and donors) is reciprocal (Hitt, Ireland, & Hoskisson, 2007). With this reciprocal relationship, NPOs cannot act haphazardly, especially with regard to organizational funding and finances which in fact are obtained from external stakeholders. And conversely, as a consequence of the ethics of a reciprocal relationship, NPOs are "obliged" to provide accountability and transparency by making accountability reports that can be accessed easily by all external stakeholders.

Accountability is the ideas and thoughts of a person or group of people in an organization to meet the expectations and targets of external stakeholders (Gayatri, Latrini, & Widhiyani, 2017). Accountability is the willingness and ability to be accountable for managing resources and implementing policies entrusted to the reporting entity in achieving the objectives set periodically. The next view is more detailed and systematic. Accountability is an effort to realize good organizational governance, starting from planning, implementation, management, reporting, and accountability.

Some of these definitions convey that accountability is closely related to the consequences of decency, propriety, and obedience in accepting assignments from other people who must be held accountable because of a reciprocal relationship. Accountability cannot be carried out simply but is upheld on principles (Fitria, 2017). The principles of accountability are, first, a commitment from the leadership and all staff to manage the organization on accountable aspects. Second, it is a system that guarantees consistent and trustworthy resource utilization based on applicable regulations. Third, it shows the achievement of the goals and objectives that have been set, and fourth, oriented to the organization's vision, mission, results, and benefits. Fifth, holding fast and upholding the values of honesty, transparency, objectivity, and innovation.

Meanwhile, transparency is providing open and honest financial information to the public based on the consideration that the public has the right to know openly and comprehensively regarding accountability in managing the resources entrusted to them and compliance with laws and regulations (Simanjuntak & Januarsi, 2011).

The upholding of the principles of accountability and transparency in the performance of NPOs does not need to be haggled anymore because by implementing them, NPOs will still gain the trust of external stakeholders. As a result, NPOs continue to exist as supporting pillars of a social system that provides many benefits.

The next challenge for NPOs is the realization of social welfare in a social system where there are still many inequalities and complexities of problems. As a social entity, NPOs cannot sit idly by and enjoy their business results, organize only to build popularity, carry out sporadic activities only to develop their image, or even be tempted by politicians who desire to enter NPO booths to gain support for their momentary interests. NPOs must build a critical awareness that the government cannot realize social welfare without their help and support. For this reason, NPOs must stand and look optimistically into the future together with the people in need.

Actually, the two challenges above can be answered by NPOs without any objections or discouragement. The first is by seriously internalizing prophetic values (*shidiq, amanah, tabligh, and fathanah*) within oneself and embedding them as an anchor or foundation for organizational building and actualizing them in organizational performance. With a display of organizational performance that is prophetic, not impossible, and unsolicited, stakeholders are happy to give their full trust and continuous support. The second is establishing collaboration with POs in managing CSR programs continuously by upholding the symbiotic principle of mutualism. The third is widening and enlarging cooperation and partnerships with individuals or other donor agencies that are more diverse. The fourth is enforcing the implementation of strategic management in a disciplined manner while upholding the values of non-profit organizations. Through these ways, all programs and organizational finances can be properly planned, implemented, developed, and accounted for.

DISCUSSION

After conducting a literature review of the results of previous research and a variety of books by strategic management experts, it turns out that discussing the implementation of strategic management in NPOs is an exciting subject and a challenge. For this reason, an example of a case of implementing strategic management in a foundation was taken, namely the Al-Falah Social Fund Foundation (YDSF) Surabaya.

YDSF was established on March 1, 1987, and inaugurated as a National Amil Zakat Institution by the Minister of Religion of the Republic of Indonesia with Decree No. 532 dated December 10, 2001. It became an entity that pays deep attention to humanity. Through the Distribution Division, YDSF is increasingly strengthening the utilization of contribution and donation funds in a *syar'i*, efficient, effective, and productive manner.

Specifically, the thing that can be used as an example and material for discussion of strategic management implementation at YDSF is in formulating, implementing, and evaluating its fundraising strategy. Furthermore, in the second phase of strategy implementation, YDSF carries out execution activities such as collecting, managing, and safeguarding donors by visiting donors, sending reports and up-to-date information about program or institutional activities, ease of communication, and various forms of donor service activities. Donor service facilities include free ambulance services, institutional studies (yellow book studies and thematic studies), training, seminars, workshops, family gatherings, fast pick-up, care for bodies, sending new information, and donor involvement in YDSF programs.

In the third phase of strategy evaluation, YDSF conducts fundraising monitoring and evaluation activities. This activity is carried out to control and evaluate fundraising activities. Monitoring and evaluation are carried out by observing and identifying the internal and external environment, supporting and inhibiting factors, measuring performance, and taking corrective steps.

Furthermore, after observing YDSF Surabaya, which has implemented strategic management well, including carrying out public accountability in an accountable and transparent manner, it is confirmed that NPOs applying strategic management in a patterned, structured, planned, and systematic way are able to play a professional role without losing their noble value as a non-profit organization.

However, without intending to doubt and continuing to place extraordinary appreciation on the role of NPOs in society, the author conveys some things that still need to be discussed and criticized regarding implementing strategic management in ONP. The things that the author means are:

First, there are still general symptoms of reluctance to become NPO activists because NPOs cannot guarantee the future and do not give a sense of prestige. Apart from not making a profit, its activities are also "only" dealing with people who are "deficient."

Second, there are still NPO activists who are not accountable and transparent about organizational finances, even fraudulent and corrupt. This is exacerbated by the notion that NPOs do not need accountability and transparency because contributors and donors are sincere in making donations, not expecting anything in return.

Third, strong practical politics enter NPOs by injecting pragmatic, transactional, and cost-benefit ways of life. Fourth, strategic management is criticized as a method that carries the values of profitability and competition. These values can damage the noble values of NPOs, namely volunteerism, collaboration and partnership, empathy, and humanity.

CONCLUSION

After reviewing the literature, reviewing the case findings, and conducting discussions, the authors can write the following conclusions: First, NPO is an organization established with the intention not to seek profit or pursue material gain but to support and help to meet crucial community needs to be responded to with concrete activities, be it education, information, health, or other urgent needs. Furthermore, NPOs obtain the funding necessary to realize their operational activities from contributors, donors, donors, or fundraising businesses.

Second, strategic management can be applied to NPOs on condition that they maintain the noble values of volunteerism, collaboration, partnership, and humanity. Third, there are at least two challenges for NPOs at present and in the future, namely: 1) the ability to maintain commitment and consistency in carrying out financial accountability and transparency and 2) the determination to continue to be the government's partner in overcoming problems and making a real contribution to society for the realization of social welfare.

References

- Arin, Z., Cikusin, Y., & Abidin, A. Z. (2020). Kiprah Non-Government Organization dalam Bingkai Civil Society di Indonesia. *Jurnal Respon Publik*, 14(5): 92-95.
- Astuti, M. (2017). PERAN PSAK 109 DALAM PENINGKATAN AKUNTABILITAS DAN TRANSPARANSI PELAPORAN ZAKAT DI INDONESIA. *Jurnal Akuntansi Bisnis*, 10(1).
- David, F. R. (2011). *Strategic Management: Concepts and Cases*, Thirteenth Edition. USA: Prentice Hall.
- Duncan, J., & Flesher, D. (2002). Does Your Church Have Appropriate Internal Control for Cash Receipt? *National Public Accountant*, 47: 15-20.
- Fitri, A. Z., Nasukah, B., & Tayeb, A. (2019). Strategic Planning Model of Islamic Religious Higher Education (PTKI) in Indonesia. *Jurnal Pendidikan Islam*, 8(2).
- Fitria, Y. (2017). Akuntabilitas pada Organisasi Religi (Studi Kasus Masjid-masjid di Balikpapan Kalimantan Timur). *Jurnal AKUNTABEL*, 4(1).
- Gayatri, Latrini, M. Y., & Widhiyani, N. L. (2017). Transparansi dan Akuntabilitas Pengelolaan Dana Desa untuk Mendorong Kemandirian Masyarakat Pedesaan. *Jurnal JEKT*, 10(2): 175-11.
- Hitt, M. A., Ireland, R. D., & Hoskisson, R. E. (2007). *Strategic Management: Competitiveness and Globalization*. 7 Edition. New York: Thomson Corporation.
- Maase, A. (2014). Pelaksanaan Fungsi Audit Intern di Organisasi Nirlaba (Studi Kasus pada GMIM Jemaat Kristus Manado). *Jurnal Riset Akuntansi dan Auditing Good Will*, 5(2).
- Simanjuntak, D. A., & Januarsi, Y. (2011). AKUNTABILITAS DAN PENGELOLAAN KEUANGAN DI MASJID. *Symposium Nasional Akuntansi XIV Aceh 2011* (hal. 1-30). Banda Aceh: Fakultas Ekonomi Universitas Syiah Kuala.
- Wheelen, T. L., & Hunger, J. D. (2004). *Strategic Management and Business Policy Toward Global Sustainability*. Boston: Pearson.
- Wisataone, V. (2018). Pelaksanaan Hubungan Masyarakat dan Publisitas pada Organisasi Non-Profit. *Jurnal Efisiensi-Kajian Ilmu Administrasi*, XV(1): 15-27.