

# THE SOCIAL PERFORMANCE OF THE NONGOVERNMENTAL ORGANIZATIONS

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**Abstract** — In a complex socio-economic context, non-governmental organizations have a special role in Romanian society, being set up with the aim of providing public services to the communities in which they operate by providing intermediaries between citizens and the authorities. Social performance is represented by the contribution of the work undertaken by NGOs in community development through: encouraging public institutions in making decisions; greater awareness of the legal framework; expressing the point of view of public opinion; aid granted for the preparation of local development strategies; provide opportunities for the participation of citizens, in the largest possible number, to the public's decision.

The article intends to present the issues related to the concept of performance for NGOs, to clarify the content of social performance and evaluation methods of social performance, the Social Return of the Investment (SROI) and internal rate of return IRR.

**Keywords** — efficiency, evaluation, results, stakeholder.

## I. THE CONCEPT OF PERFORMANCE FOR THE NONGOVERNMENTAL ORGANIZATIONS

**P**ERFORMANCE refers to extraordinary results obtained from carrying out the work, in this particular case, the NGOs.

For NGOs, the performance represents the fourth stage can be reached during the execution of its work. To achieve this step, the Organization must go through the following steps:

- 1) stage 1- formation;
- 2) stage 2- the storm;
- 3) stage 3- normalization;
- 4) stage 4- performance;
- 5) stage 5- either the transformation or termination of the activity.

Performance evaluation of a non-profit organization is a complex problem which involves the analysis of indicators belonging to the different dimensions of it.

Non-profit organizations interest to performance measuring and fulfilling the objectives has increased lately, this it become an essential element for the survival of the organization. The main reasons that underlie the increase in interest are:

- 1) increasing the number of new organizations;
- 2) increasing the budgetary reductions;
- 3) the decrease in the number of donors;
- 4) increasing the challenges arising from the multiplicity of social cases.

In addition, the majority of the stakeholders associated with the NGOs want to know if the programs or services they claim have a prominent and positive impact on the community.

Such organizations felt the need to demonstrate the effectiveness of the programs they provide and the correctness of using the funds are made available. Have been identified three dimensions of performance:

- 1) the effectiveness or results;
- 2) quality of services;
- 3) efficiency. [1]

Effectiveness measures the degree to which the program achieves its objectives and goals while being observed and the Mission of the organization said. A program is effective to the extent that achieves what he has proposed to achieve the purpose for which it was created.

Effectiveness is represented by the level of achieving the goals set by the Organization, expressed as the ratio between the result obtained and the desired effect. This report can be expressed through the relation:

Effectiveness = results/results scheduled

In 2005, The Court of Accounts of Romania indicates that efficiency means maximizing the results of an activity in relation to the resources used. [2]

This represents the relationship between outputs (outputs), products, services and other results and resources utilized (inputs) to carry them out. It is used to calculate the following formula:

Efficiency = results (outputs)/results used (inputs)

If the quotient is equal to or greater than 1, the situation is favorable. An efficient activity maximizes the results with the same amount of resources or minimizes the resources for a result set. Accordingly, in making the expenditure will take into account the maximum results and appropriate quality.

A service is perceived as having high quality or not to the extent that the service offered by the organization meet the needs of its clients in the most appropriate way. Quality of service is closely related to the satisfaction of the customers. This multidimensional approach captures that perception: an organization need not only to attain its objectives and to obtain the expected results, but also to do it in an efficient manner, by using resources wisely in order to satisfy the customers, the respect of the employee towards the enterprise, contractor towards the clients, a so-called sensibility to conflicts of interests, detecting them, and if possible avoiding them, respecting the rules by outside businessmen with a professional conscience and prudence, cultivating this professional competences, limiting decisions, loyalty and good faith which aims the equity of our actions, a high sense of

responsibility, respecting the rules and the freedom of others in behavior, opinions, respecting the human being. [3]

An organization can achieve peak performance by balancing all three dimensions. Efforts should be concentrated on organization effectiveness, efficiency and quality. This three-dimensional model allows NGOs to measure performance by assessing the impact of services rendered to the beneficiaries.

## II. SOCIAL PERFORMANCE

An NGO can play a vital role in society by identifying some strands, overlooked by the public authorities. They can tackle niches identified through the use of organizational capacities and human resources can provide assistance or the authorities. It has been shown that associations which are more involved in socially (through organizing charitable events through the actions of environmental or community development) can benefit from a higher capital in comparison with those that do not are equally involved. Social performance can be defined as the ability of NGOs to meet the expectation of a diverse group of stakeholders, which will lead to financial performance. The relationship is valid and vice versa. They operate in complex environments with many stakeholders including: the Board of Directors, volunteers, donors, agencies, government officials, recommending clients or participants.

One of the main concerns for these organizations is represented by way of monitoring and management of relations with these stakeholders. They are a source of uncertainty for NGOs. From their perspective, the relationship established with NGOs is based on the manner in which their expectation are met and how they are treated by members of the organization. The manner of response with respect to the expectation of all categories of stakeholders can be problematic because they sometimes have different expectation or is inconsistent with the vision, mission and practices of NGOs.

Ospina, Diaz and O'Sullivan have found that maintaining relationships with the community is essential to non-profit associations to be catalogued as serious and legitimate by the stakeholders [4]. NGOs use multiple mechanisms to facilitate bilateral communication between members of the society and organization, such as: conferences, surveys, newsletters, etc. There are two ways of maintaining links with stakeholders:

- 1) *strategic planning;*
- 2) *rational.*

Strategic management involves guiding expectations and manners of assessing stakeholders by non-profit organizations. Through this influence exercised is trying to align with the stakeholders, the Association's mission and capabilities. Rational management of relations with stakeholders requires the existence of a constant or a thematic approach. However the existence of a constant may increase the predictability of associations, which leads to increased uncertainty stakeholders with regard to the work carried out by the NGO. It is important to stress

that only constancy is not sufficient for improved efficiency. Organizations that are consistent with the activities, but his actions have no expectation in the public interest and public trust, may be regarded as ineffective.

According to the study conducted by Balser and Mc Clusky, the relationship with the stakeholders is generally influenced by the Organization's mission. The mission and values of the organization represents the starting point in relations with stakeholders. They are considering as stakeholder any person who shows devotion to the Agency's mission. [5]

Managing stakeholders is represented by very clear justification of the following items:

- 1) *who is organization;*
- 2) *what are the beliefs of the organization;*
- 3) *which aims to make the organization.*

In other words, the basic element in managing relationships with stakeholders is honesty concerning the level of possibilities compared to expectation. Trade-offs in the relationship with stakeholders is carried out at the tactical level and not at the strategic level or that of the mission.

## III. SOCIAL PERFORMANCE EVALUATION

NGOs perform a great job in terms of economic development, create jobs, and enable markets, contributing to the creation of harmony and social stability. Creating an effective rating system, which is used as a tool of management, can improve operational effectiveness and credibility. It can also promote a healthy development of the economy through the interaction between Government and institutions. Therefore, the assessment of NGOs has become an issue of major importance in modern economics, management, sociology and other disciplines.

Taking into account the various areas of activity, aims and social sectors for which it is intended, some organizations should measure long-term impacts, while others should be confined to the measurement of short-term results. During the past 20 years, the methodology and tools of social performance evaluation have enjoyed a continuous development. Different approaches for measuring the social return on investment (SROI) as well as internal rates of return are the most popular methods of analyzing the impact of the investment. International development plan, there is a broader story about the use of logic models, variations of which may be mentioned the logical framework analysis, performance measurement and evaluation of the impact, which were supplemented by experimental approaches and quasi-experimental velocity randomization studies control as well.

Social Return of Investment (SROI) is a framework of understanding, management and measurement of results of activity of the organization. SROI encompasses a wide range of outcomes: social, economic, environmental. This analysis is based on the involvement of stakeholders in the determination of those results that are more relevant. SROI evolved from social accounting and cost

benefit analysis and has much in common with other methods of analysis of the results. However SROI differentiates from other methods, because it assigns a monetary value of results, so that they can be collected, and the values obtained are compared with the investments made. SROI values depicting the story of the investment made, including both quantitative findings and qualitative ones. The information provided by these values helps organizations maximize profits.

There are two types of SROI analysis:

- 1) *evaluative*;
- 2) *prediction*.

Evaluative analysis is retrospective and based on results that have occurred.

Predictive analysis can highlight the SROI that will be created if the activities will generate the desired results. They are useful in the planning stage of the project, especially if they have not been collected results suitable for analysis of evaluative SROI. SROI contributes to the improvement of services provided by NGOs in multiple manners. Support is provided through:

- 1) *understanding of social, economic and environmental aspects of the work undertaken*;
- 2) *maximization of positive change, identifying and managing any negative aspects of the activities carried out; retransferred*;
- 3) *capacity to organizations or persons with which associations should cooperate or improve relations with stakeholders*;
- 4) *identification of ways to collect information more useful and better quality*;
- 5) *promotion activities, attract new customers, attracting new investment or funding sources*.

SROI could be used by organizations, investors and intermediaries:

- 1) *within organizations, contributing to the understanding and SROI managing the activities carried out*;
- 2) *in the case of investors, SROI helps clarify the manner in which the investment creates value. It also helps in the formation of support for investment to create the desired value*;
- 3) *in the case of forwarding agents, SROI helps define the goods and services that are for and how they contribute to achieving the objectives of the organization*.

Internal rate of return (IRR) is a tool used by NGOs for the assessment of cash flows.

In general, the internal rate of return can be defined as that discount rate (or interest rate) that cancels the NPV (net present value) [5].

Hazen States that when used properly, can be a valuable tool for acceptance and selection of investment projects [6].

A *cash flow stream* is a finite or infinite sequence  $x = (x_0, x_1, \dots)$  of monetary values. The monetary amount received initially is  $x_0$ , and the amount received after period  $t$  is  $x_t$ . For a finite stream  $x = (x_0, x_1, \dots, x_T)$ , we assume the horizon  $T$  is chosen so that  $x_T \neq 0$ . The *net*

*present value*  $PV(x | r)$  of a cash flow stream  $x$  at interest rate  $r$  is given by  $PV(x | r) = \sum_{t=0}^T x_t / (1+r)^t$  defined for *proper* interest rates  $r > -1$ . For a cash flow stream  $x$ , let  $IRR(x)$  be the set of all interest rates  $r$  which make  $PV(x | r) = 0$ . (Note that  $IRR(x)$  cannot contain  $-1$  because  $PV(x | r) = -1$  is undefined.) For finite streams  $x = (x_0, x_1, \dots, x_T)$ , the present value function  $PV(x | r)$  is a degree- $T$  polynomial in  $(1+r)^{-1}$ , so  $IRR(x)$  can contain anywhere from 0 to  $T$  distinct values. If  $r \in IRR(x)$ , then we will call  $r$  an *internal rate of return* for  $x$ .

As is well known, for conventional cash flows  $x$  that are negative for the first few periods but positive thereafter, the internal rate of return exists and is unique. Moreover, the internal rate of return is the largest interest rate at which the cash flow shows a discounted net profit. So if  $IRR(x)$  exceeds the available market rate of interest  $r$ , then  $PV(x | r) > 0$  and the investment which generates the cash flow  $x$  is worthwhile. Conversely, if the internal rate of return is smaller than the market rate  $r$ , then one is better off investing at the market rate  $r$ . This is the fundamental justification for the use of internal rate of return.

#### IV. CASE STUDY

This study it is a quality one, and the target group is represented by 25 NGOs from the North-East region of Romania.

In this respect, a questionnaire representatives of NGOs was made up of a number of 22 questions, the answers were analyzed through interval scale, Likert 7-speed. The study tracked through the questionnaire to identify the extent to which the 7 principles of SROI are respected, namely:

- 1) *Involvement of stakeholders*;
- 2) *Understanding the changes*;
- 3) *Assessing the important*;
- 4) *Inclusion of material*;
- 5) *Do not declare more than necessary*;
- 6) *Transparency*;
- 7) *Checking the results*.

These are presented in descending order of frequency, and the plotting is done in Fig. 1:

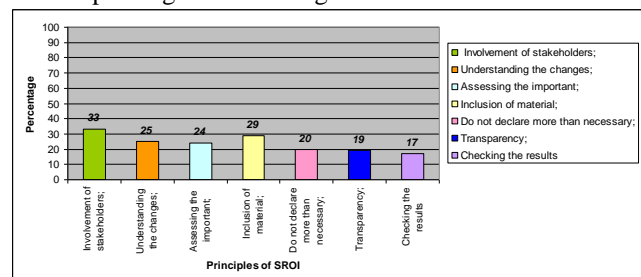


Fig. 1. The extent to which compliance with the principles of SROI

#### V. CONCLUSIONS

As a result of the study conducted to ascertain that there are 3 principles of SROI which are observed as difficulty of NGOs participating in the study, namely:

- 1) "Involvement of stakeholders";
- 2) "Inclusion of material";
- 3) "Understanding the changes".

As a result of research carried out to ascertain that the most common problem faced by NGOs researched in terms of compliance with the principles of SROI is "Involvement of stakeholders" after it was reported by 33% of non-governmental organizations included in the survey.

In order to decrease the frequency of the observance of the principle of SROI regarding "Involvement of stakeholders", referred to the principle at the level of the 25 NGOS should it be discussed in the meetings, for example type brainstorming, should be clearly defined, presenting factual problem or situation, explaining why it is important, what type of action requires and how urgent it is.

With regard to the second principle, which is difficult SROI respected at a rate of 29% of the sample group researched, referred to as "Inclusion of material". In this respect we should determine what information and evidence can be included for presentation of real images, because stakeholders to outline the reasonable conclusions about the impact created.

In terms of the one-third rule SROI, referring to "Understanding the changes," the study shows that 25% of the non-governmental organizations participating in the study reported that they find it difficult to meet this principle, because they have to determine what information and evidence may be included for presentation of real images, because stakeholders to outline the reasonable conclusions about the impact created. Change, even if it's for the better, it is difficult and likely to scare off those affected by it. People can try to block decisions that lead to change, so it is important to be aware of these mechanisms and to fight against them.

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