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## IMPACT OF STAKEHOLDERS ON THE DEVELOPMENT OF NON-GOVERNMENTAL ORGANISATIONS IN SLOVENIA

*Unlike profit organisations, which pursue profitable goals under the influence of influential stakeholders, the interests of stakeholders in non-governmental organisations (NGOs) are much less uniform. The paper aims to focus on the contribution and the characteristics of non-governmental organisations (NGOs) in Slovenia, and the conflicting interests as well as the impact of internal and external stakeholders of NGOs. The purpose of this paper is to conduct an empirical analysis of the key influences of internal and external stakeholders. Our intention is to determine the relations between the interests of influential stakeholders and the performance of the organisations in question, as well as to define the understanding of performance from the viewpoint of NGOs' management. We confirmed the hypothesis proposing that the external influences of stakeholders have a greater impact on the performance than the internal influences. We found out that public relations, advocacy, fundraising and regularity have a statistically significant influence on the NGOs' mission. Complexity and heterogeneity of non-governmental organisations could be counted among the most important research limitations. From the aspect of scientific contribution in the*

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*geographical area of Central Europe, i.e. a former communist state, a country in transition economy, it was thus far impossible to find contributions to empirically examine the impact of stakeholders on the development of non-governmental organisations; therefore, the study described in the article is unique in this area.*

*Key words: influential stakeholders, management, non-profit organisations, interest, mission.*

## **1. Introduction**

Nowadays, the global recession causes states to outsource part of their public functions, and so NGOs are taking over some of these responsibilities. We believe that Slovenia still “controls” most of the services in public education, which leads us to believe that the state will “liberalise” the services in this area as well. The Slovene non-governmental educational organisations operating in the field of informal education could thus take over a large part of this type of education. This is also the reason why these organisations were chosen as the subject of our research. Another reason is the fact that, owing to their small size and flexibility, they are in the position to adapt to the needs of the environment in which they operate more successfully than other educational institutions.

Slovenia, the former socialist country and EU member, is one of the countries characterised by a great divide in communication and cooperation as well as poor state control over private non-profit-voluntary organisations (Kolarič, Črnak-Meglič & Vojnovič, 2002, p. 131). We will first examine NGOs, their particular features, development and existence. Special focus will be placed on non-governmental educational organisations in Slovenia. Based on the findings on non-governmental educational organisations, we will continue by reviewing the establishing of various interests and impacts of stakeholders in NGOs. The empirical part will consist of a quantitative research, in the course of which we will propose a hypothesis. The results obtained in the empirical research will help us understand the roles of external and internal factors of non-governmental educational organisations reflected in the level of the realisation of interests of influential stakeholders.

The paper is organised as follows: After the introductory chapter, the first chapter discusses the literature review and development of NGOs. Chapter two presents the research methodology. The third chapter contains the results and the discussion. The final chapter outlines the most significant conclusions and suggests directions for future research.

## 2. Literature review and theoretical background

The notion of NGOs comprises two types of organisations. The first are public non-profit organisations established by public institutions, whose mission is to implement the public interest. Then there are private non-profit organisations founded by private natural persons and legal entities, whose mission is to realise the common and/or public interest. Both the public and the common interest represent a legitimate operationalisation of the general social interest (Monnier & Thiry, 1997, p. 324).

All private NGOs represent “the third sector” and there are researchers around the world who see a resemblance between individual systems. The French *économie sociale* (Forsé, 1984), the voluntary sector in the UK (Knapp, Robertson & Thomason, 1990; Ware, 1989), the German *gemeinnützige Organisationen* (Anheier, Hass & Beller, 2013) and the non-profit sector in the USA (Barman, 2013) display some similarities, which indicate certain commonalities of this sector.

In general, private NGOs can be defined as a broad spectrum of organisations that are neither commercial nor state-owned, but appear in public under different names, such as non-profit, voluntary, humanitarian, independent, civil society, and non-governmental organisations. For the purposes of our research, we will use the term non-governmental organisations.

Additionally, NGOs in post-socialist countries exhibit common characteristics but differ greatly at the same time. These internal similarities and external differences can be explained against the backdrop of the socialist system, which prevailed in these societies for nearly half a century. Following the decline of the socialist system, these societies experienced a booming development of NGOs, but the non-governmental sector in post-socialist countries has remained fairly underdeveloped (Kolarič & Rakar, 2010).

According to Divjak and Šporar (2006, p. 18–24), it is the countries’ welfare systems that determine expenditures for social welfare and the size of the non-profit sector, i.e. the position of the civil society and community in relation to the market and the state within various welfare systems. It is thus possible to distinguish between liberal, conservative-corporate, social-democratic, Latin–Roman, and communist welfare systems. The communist/socialist type of welfare system was typically present in former socialist societies, in which the communist authorities used the state apparatus to control all aspects of social life. The citizens’ self-organisation was therefore limited and the role of the Church marginalised. Within this system, non-governmental organisations acted mainly as supporters of informal social networks. Svetlik (1992) takes a similar view and says that the

poorly developed non-profit sector in Southern and Eastern Europe can be attributed to the gap between the state and the civil society. The state often assumes the controlling role and thus interferes with and hinders civil society. On the other hand, factors of the civil society remain divided and therefore too weak to be able to effectively address their requirements to the state and for the state to recognise them as equal partners. Salamon, Sokolowski and List (2003, p. 34) believe that, despite considerable growth of the non-governmental sector in the transitional Central and Eastern Europe, non-governmental organisations remain but a pale reflection of similar NGOs around the world, including Latin America and Western Europe. These non-governmental organisations are characterised by low level of professionalisation, dependency on volunteers and small resources. This also applies to non-governmental organisations in the field of education.

Aware of the great divide in the development of NGOs in Europe, the European Union encourages the development of NGOs in all Member States. Lloyd (2004, p. 202) believes that the two elements essential for the development of the non-governmental sector in the European Union have already been applied in the current European politics. The first element relates to social economy, which has already been recognised within regulations on structural funds and employment guidelines. The second element is more indirect and refers to the principle of “acting locally”, promoting employment and heavily emphasising local partnerships. Politics thus enables a platform that allows those who wish to encourage measures through a combination of economic and social objectives to take the initiative.

Social economy or social entrepreneurship therefore constitutes a development potential, of which all transition states, such as Croatia, are becoming increasingly aware (Vincetić, Babić & Baturina, 2013).

In Slovenia, civil society began developing as an alternative rather than the opposition to the official politics. Today, around 26,000 NGOs operate in Slovenia, of which a great majority can be classified under the following legal forms: associations, private institutes and institutions or foundations. In 2012, there were 25,065 NGOs, of which 23,963 were active, meaning they submitted their annual financial reports to the Agency of the Republic of Slovenia for Public Legal Records and Related Services (Agencija Republike Slovenije za javnopravne evidence in storitve [AJPES], 2013). By far the most numerous are associations, totalling at 21,622, followed by private institutes (2,111) and institutions or foundations (232) (AJPES, 2013). The number of NGOs is constantly on the rise as exhibited by the fact that around 15,500 of them were registered 10 years ago (Forbici, Divjak, Osonkar, Dernovšek & Verbajs, 2013).

Stakeholders are defined as “any group or individual who can affect or is affected by an organisation’s achievements” (Freeman, 1984, p. 46). We expect to find a wide diversity in needs and objectives of non-profit organisation’s stakeholders in

relation to effective governance as they go into partnership with non-profit for different reasons. This expected diversity in needs and objectives between stakeholder groups can be rephrased as the expectation that several needs and objectives of different stakeholder groups can be conflicting, sometimes even mutually harmful. We expect to find diversity in needs and objectives not only across stakeholder groups, but also within some particular stakeholder groups (Eellens & Jegers, 2014).

As already pointed out, the success of organisations depends on how they adapt and change to accommodate the stakeholders, their influence and interests. Drawing on the stakeholder theory, where profit organisations are viewed in terms of interests, such interests should be regarded as “accountability” within a non-profit organisation – a rather minimalistic definition by Schafer (1999, p. 9). The significance of accountability in maintaining social systems has been known for millennia. In their discussions, early Greek philosophers such as Zeno, Plato, Aristotle and others covered the concepts of accountability, e.g. tributes, justice and the sanctioning of prohibited behaviour (Schlenker, Britt, Pennington, Murphy & Doherty, 1994, p. 634). The introduction to the reflections on the accountability of NGOs begins with the approach to accountability, which can be introduced with the following question: “Who is accountable to whom, for what and under what conditions?” (Gagne, 1996, p. 213). According to Christensen and Ebrahim (2006, p. 196), accountability refers to the responsiveness of external or internal stakeholders to the actions of an NGO. For the purposes of this research, accountability will be defined as management of various expectations held by stakeholders implemented by the management in NGOs (Kearns, 1996; Romzek & Dubnick, 1987). Over the last 25 years, we have witnessed a global boom of philanthropy, volunteer work and civil organisations (Salamon, 2010, p. 168). As a result, the interest in the academic research of this area increased as well. Naturally, the greatest number of academic and research work on this subject was carried out in the field of sociology (DiMaggio & Anheier, 1990). And yet, the field dealing with the interests of stakeholders, i.e. their accountability and influence on the development of NGOs, has been studied much less extensively. As pointed out by Candler & Dumond (2010, p. 259), there is no lack of research on the non-profit sector; there is, however, only a modest amount of literature dealing directly with the issue of the impact of internal and external stakeholders on operational performance in NGOs.

The authors have also identified various stakeholders in NGOs. Adil Najam (1996, p. 341) thus restricts an NGO’s accountability to accountability to its sponsors, beneficiaries and the organisation itself. Brown and Moore (2001, p. 261) proceeded to identify the key stakeholders in NGOs, i.e. beneficiaries, donors and other resource providers, experts/regulators, staff, constituents, policy influence targets, members, the general public and the media. As a starting point for the definition of stakeholders, it should be necessary to consider the findings of Candler and Dumond (2010, p. 262), who define various stakeholders as: members, clients,

constituents, donors, the government/local community, the general public, the media, staff and partners/allies.

Although we discuss how each stakeholder is responsible for the development of NGOs, we know on the other hand that certain differences or frictions may arise between them. NGOs thus find themselves in a constant process of negotiating between the influences of various external and internal stakeholders (Mumby, 1988; Putnam, 1989). This process is usually coordinated by managers in non-profits, who must possess suitable competences in order to control these influences for the benefit of the organisation. The supervisory or management boards usually play the role of an intermediary between the organisation and the outside environment (Van Puyvelde, Caers, Du Bois & Jegers, 2012, p. 433). In principle, the relations and conflicts between the external and internal environment in a non-profit are basically defined by two theories, namely the agency theory and the stewardship theory, which are described below. In NGOs, responding to the stakeholders' needs is largely related to achieving their mission and the services they offer (Kanter & Summers, 1987) or organisational performance influenced by their mission statements (Macedo, Pinho & Silva, 2016; Patel, Booker, Ramos & Bart, 2015).

This division originates from the two above-referenced theories, the agency theory and the stewardship theory. In line with the agency theory, managers act solely for their own benefit, in an individualistic, opportunistic and self-sufficient manner (Curcio, 1997; Eisenhardt, 1989; Heinfeld & Shapiro, 2005; Miller & Sardais, 2011). According to the stewardship theory, however, they act through self-realisation for the benefit of the company characterised by collectivism and trust (Davis, Schooman & Donaldson, 1997, p. 37). Proceeding from both theories, it is possible to discern a dual way of treating NGOs or managers. On the one hand, this is reflected as external control over non-profits or their managers to avoid any misuse to the detriment of the organisation's stakeholders. On the other hand, we trust NGOs and their managers to establish a mode of operation, which will be to the benefit of and in line with the needs of the society, reflecting responsibility towards the organisation as a whole.

The Urban Institute and the What Works Centre (2006) have designed a standard model for the development of outcomes and outcome indicators, their aim being to provide important tools that will help increase the value of services rendered by the non-profit sector in public. The model emphasises that the outcomes of a program or service must address the direct interest and concern of service beneficiaries and constituents, whereby the outcomes of a program/service are measured with results and indicators.

Focusing on beneficiaries and community-focused outcomes and results are the main two mechanisms that can protect NGOs from focusing on results that promote only the organisation's survival. For this reason, Standerfer and Schafer

(2011) designed a model comprising all of the findings that had been set out above, combining the model proposed by Candler and Dumond (2010) with the model proposed by the Urban Institute and the What Works Centre (2006). This model takes into account the logic applied by Candler and Dumond (2010) in terms of accountability to whom and for what, but omits splitting accountability to consequential and procedural accountability. It also omits the logic of measuring inputs and outputs in the organisation, replacing it instead with outcomes and indicators.

It is vital to propose such an accountability model, seeing as this gives rise to a certain amount of autonomy in the development, and is reflected in the outcomes of programs within individual NGOs. What is more, it ensures procedures enabling the influence of external supervision of organisational performance. It seems that both ways are suitable to prevent NGOs from drifting too far from their original mission and spending donor funds, whether this is intentional or not (Standerfer & Schafer, 2011, p. 12).

The significance of measuring performance in NGOs was already discussed by Kaplan (2001), who applied the balanced scorecard model to the level of NGOs. The model discusses the significance of organisations being aware of the connection between non-financial and non-material dimensions of measuring performance, and the consequences they have on the cash flow (Neely, Marr, Roosm, Pike & Gupta, 2003). Many other authors also place a lot of importance on the significance of measuring performance in NGOs (Boateng, Akamavi & Ndoró, 2016; Dacombe, 2011; Greiling, 2010; Hall, 2014; Reheul, Caneghem & Verbruggen, 2014; Schobel & Scholey, 2012; Viader & Espina, 2013) and say that non-financial measures such as management effectiveness, stakeholder involvement, benchmarking (Boateng et al., 2016) and mission statements (S. Pandey, Kim & S. K. Pandey, 2017) are important to the performance of NGOs

Measuring performance in profit organisations primarily relates to creating financial value for its owners (Munir, Baird & Perera, 2013; Nicholls, 2009). Measuring performance in NGOs, however, pursues two fundamental goals, namely proving one's worth to stakeholders and improvement of organisational performance through learning from evaluating one's programs and services, and by comparison with others, through internal reporting (Huang & Hooper, 2011; Saj, 2013). Although financial performance in NGOs is thus not essential, it is still important.

### **3. Research methodology**

We used the theoretical platform and the foregoing discussion of literature to research and analyse the key influences of internal and external stakeholders,

and formulated the hypothesis that the external influences of stakeholders have a greater impact on the performance of Slovene non-governmental educational organisations than internal influences.

### *3.1 Sampling and data collection*

The survey in the form of a questionnaire was emailed to managers in private institutes active in the field of education. The contact information on NGOs was obtained through publically accessible databases and the websites of the relevant NGOs. The survey questionnaire consisted of questions relating to the areas of realising different interests of internal and external stakeholders in private institutes in the field of education. The data relating to the performance of NGOs was obtained through secondary sources, i.e. public data available from the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES, 2013); the data includes the operating profit/loss of NGOs from 2008 to 2012. The questionnaire was sent to NGOs in 2014; the data was collected in the course of one month, from 15 June to 15 July. There were 289 such institutes active in 2013 (Bisnode, 2014). Organisations were deemed active if they submitted their financial reports in the past fiscal year. A total of 78 completed questionnaires were returned, however, only 71 questionnaires were usable.

The questionnaire was roughly divided into two sections. The first section comprised statements regarding the importance of the influence of individual practices/mechanisms on the operation of NGOs, where the respondents had to rate, on a scale of 1 (does not apply) to 6 (fully applies), the realisation of various interests of internal and external stakeholders in private institutes in the field of education – program mission/results and self-regulation, reporting and finances, information management, management and human resources, public policies and advocacy. The second section was of a general nature and referred mainly to the respective representative of the NGO's management, who filled out the questionnaire. The survey was sent to be filled out by all registered private institutes engaged in "Other education n.e.c" (Standard Classification of Activities – SKD 85.590). Due to a high degree of heterogeneity among NGOs, and to facilitate result interpretation and international comparability, we focused on private institutes in informal education, since their small size and flexibility help them to adapt to the needs of the environment in which they operate with far greater success. The survey in the form of an online questionnaire was emailed to managers in private institutes active in the field of education. The contact information was obtained through publically accessible databases and the websites of the relevant NGOs.



## 4. Results and discussion

### 4.1 Sample

Seventy-one respondents participated in the research, of which 63.4% were women. Most of the respondents (73.2%) have a university education, 14.1% hold a master's degree or higher, while 12.7% of them have completed secondary school education. The respondents have been working at their respective institutes between 0 and 30 years, with an average at  $M = 7.4$  years (s. d. = 6.6), and have been working at their current job at an average of  $M = 5.8$  years (s. d. = 5.5). The average age of NGOs of their employment is  $M = 9.2$  years (s. d. = 6.2), with 0 to 61 employees in 2013, an average of  $M = 3.3$  (s. d. = 8.3). Nearly a quarter of NGOs (23.9%) holds the status of a voluntary organisation.

### 4.2 Descriptive statistics

In the area of program mission/results and self-regulation, the participating NGOs mostly carry out services in line with the organisation's mission ( $M = 5.1$ ), in addition to allocating funds to activities important for the organisation's mission ( $M = 5.0$ ), while the lowest score with regard to the implementation can be attributed to the operations in line with the Code of Ethics & Conduct for organisations ( $M = 3.9$ ) and the review and amendment of the organisation's mission by the supervisory body every 3–5 years.

As regards the area of reporting and finances, it fully applies for NGOs that the employees or organisation's management are not given loans ( $M = 4.8$ ), that the operating budget of the organisation is confirmed by a supervisory body ( $M = 4.6$ ), that the NGOs are adhering to the administrative guidelines of local communities, ministries and the EU ( $M = 4.6$ ), while it least applies that they implement annual internal financial audits ( $M = 2.7$ ) and make the annual financial report available to the wider public ( $M = 1.9$ ).

As to the information management, the policy of storing documents ( $M = 4.2$ ) is realised to the highest degree, while the least is done with regard to the policy of protecting employees who report on the suspicions of the organisation's misconduct ( $M = 2.9$ ).

As regards the management and human resources in NGOs, it applies that the staff and employees help shape the common vision ( $M = 4.9$ ), and that the manage-

ment is susceptible to the opinions, comments and suggestions by the employees ( $M = 4.7$ ), while it least applies that the supervisory body includes at least three unaffiliated members ( $M = 2.6$ ).

In terms of public policy and advocacy, it is most true that the NGOs establish and nurture joint partnerships with local communities, government agencies, companies, other NGOs or academic organisations ( $M = 5.4$ ), while it least applies that they restrict the funds earmarked for lobbying ( $M = 3.6$ ).

### *4.3 Multivariate analysis in hypothesis testing*

We carried out two factor analyses, one on the variables referring to the internal factors of stakeholders, while the other was conducted on the variables referring to the external factors. With internal factors, we eliminated the variable “The organisation does not give out loans to employees or company management” due to communality lower than 0.3. With external factors, we eliminated the variables “Availability of your annual financial report to the wider public (on the website)” (communality  $< 0.3$ ) and “Prohibition of participating in political campaigns” (significant improvement in the reliability of the measuring instrument).

With internal indicators, the determinant value is higher than 0.00001, the KMO value = 0.761, while the Bartlett’s Test is statistically significant ( $\alpha = 0.000$ ), meaning that the conditions for the implementation of a factor analysis have been met. Four factors were eliminated, accounting for the 61.3% of pooled variance. For easier interpretation, we conducted a varimax rotation, and saved the factor analysis results as new variables, which we used in further analysis (Table 1).

Table 1.

## ROTATED FACTOR MATRIX FOR INTERNAL FACTORS

	Factor			
	1	2	3	4
Transparency of decision-making within the organisation	.859			
Understanding and joint forming of the common vision with staff and employees	.799			
Management's response to opinions, comments and suggestions of employees	.776			
Equal employment opportunities (women, the disabled, etc.)	.680	.510		
Established policy for conflicts of interests of organisation's management	.560	.303		
Organisational guidelines ensuring significance, accuracy and timeliness of information flow through organisation's communication channels	.459	.401	-.301	
Protection policy for employees reporting on suspected cases of misconduct by the organisation		.770		
Annual internal financial audits of financial operations		.751		
Financial restrictions in the organisation are documented within organisational documents		.585		
Clear rules that enable professional management of volunteers and keep them motivated	.393	.550		
Allocation of funds to activities that are important for the organisation's mission			.825	
Evaluation of results (tracking the number of beneficiaries, clients, etc.)			.786	
Measuring the achievement of strategic goals through self-evaluation			.735	
Implementing services in line with the organisation's mission			.709	
Organisation's operating budget approved by the supervisory body (institute's council)				.952
Review and amendment (if necessary) of the organisation's mission by the organisation's supervisory body (institute's council) every 3–5 years	.335			.595
Supervisory body (institute's council) includes at least three unaffiliated members				.498

Source: Authors' calculations

Factor No. 1: Decision-making (managing):

- Transparency of decision-making within the organisation
- Understanding and co-shaping of a vision by the staff and employees
- Management's response to opinions, comments and suggestions of employees
- Equal employment opportunities (women, the disabled, etc.)
- Established policy for conflicts of interests of organisation's management
- Organisational guidelines ensuring significance, accuracy and timeliness of information flow through organisation's communication channels

Factor No. 2: Regularity (rules):

- Protection policy for employees reporting on suspected cases of misconduct by the organisation
- Annual internal financial audits of financial operations
- Financial restrictions in the organisation are documented within organisational documents.
- Clear rules that enable professional management of volunteers and keep them motivated

Factor No. 3: Mission (coming up with new ideas):

- Allocation of funds to activities that are important for the organisation's mission
- Evaluation of results (tracking the number of beneficiaries, clients, etc.)
- Measuring the achievement of strategic goals through self-evaluation
- Implementing services in line with the organisation's mission

Factor No. 4: Internal supervision (control):

- Organisation's operating budget approved by the supervisory body (institute's council)
- Review and amendment (if necessary) of the organisation's mission by the organisation's supervisory body (institute's council) every 3–5 years
- Supervisory body (institute's council) includes at least three unaffiliated members.

Table 2.

## ROTATED FACTOR MATRIX FOR EXTERNAL FACTORS

	Factor			
	1	2	3	4
Donations are used in line with the restrictions set by the donor	.802			
Operations in line with the Code of Ethics & Conduct for organisations (Code of Ethics for Organised Volunteering, Quality Standard for NGOs)	.664	.341		
Sending written thank-you notes/receipts for donations of all sizes	.650			
Ensuring transparency in managing membership fees, donations and subsidies	.574		.302	
Fundraisers do not accept payment based on commission/percentage of funds raised	.551			
Policy of document-keeping	.504			.385
Organisational information on the operations and activities available to the public		.803		
PR policy enabling access to/submission of information on organisation's activities/operations	.395	.784		
Policy of confidentiality with regard to donors, clients, employees and volunteers		.628		
Complaint-related guidelines for client and employee conduct in the event of complaints		.591		.306
Policy of acceptable gifts	.355	.421		
Establishing and nurturing joint partnerships with local communities, government agencies, companies, other non-governmental organisations or academic organisations (universities, faculties, institutes, etc.)			.775	
Participation of employees, volunteers, etc. in public policy procedures	.319		.663	
Keeping up with changes and novelties related to the area in which the organisation/sector operates			.540	
Considering administrative guidelines of local communities, ministries and the European Union, including the general reporting duty		.503	.512	
Limiting resources earmarked for lobbying				.795
Adhering to the Integrity and Prevention of Corruption Act in the event of lobbying	.380			.676

Source: Authors' calculations

Reliability was verified by means of the Cronbach's alpha coefficient, which amounts to  $\alpha = 0.888$  for factor No. 1,  $\alpha = 0.809$  for factor No. 2,  $\alpha = 0.885$  for factor No. 3 and  $\alpha = 0.714$  for factor No. 4. The total reliability of internal factors amounts to  $\alpha = 0.866$ .

With external indicators, the determinant value is higher than 0.00001, the KMO value = 0.766, while the Bartlett's Test is statistically significant ( $\alpha = 0.000$ ). The four factors have own value higher than 1, accounting for the 55.5% of pooled variance. We have applied the varimax rotation and kept the factors as new variables which we needed to conduct further analysis. The variables were classified by factors as follows (Table 2).

*Factor No. 1: Fundraising:*

- Donations are used in line with the restrictions set by the donor.
- Operations in line with the Code of Ethics & Conduct for organisations (Code of Ethics for Organised Volunteering, Quality Standard for NGOs)
- Sending written thank-you notes/receipts for donations of all sizes
- Ensuring transparency in managing membership fees, donations and subsidies
- Fundraisers do not accept payment based on commission/percentage of funds raised.
- Policy of document-keeping

*Factor No. 2: Public relations:*

- Organisational information on the operations and activities available to the public
- PR policy enabling access to/submission of information on organisation's activities/operations
- Policy of confidentiality with regard to donors, clients, employees and volunteers
- Complaint-related guidelines for client and employee conduct in the event of complaints
- Policy for acceptable gifts.

*Factor No. 3: Advocacy:*

- Establishing and nurturing joint partnerships with local communities, government agencies, companies, other non-governmental organisations or academic organisations (universities, faculties, institutes, etc.)

- Participation of employees, volunteers, etc. in public policy procedures
- Keeping up with changes and novelties related to the area in which the organisation/sector operates
- Considering administrative guidelines of local communities, ministries and the European Union, including the general reporting duty

*Factor No. 4: Integration:*

- Limiting resources earmarked for lobbying
- Adhering to the Integrity and Prevention of Corruption Act in the event of lobbying

The Cronbach's alpha coefficient amounts to  $\alpha = 0.803$  for factor No. 1,  $\alpha = 0.828$  for factor No. 2,  $\alpha = 0.725$  for factor No. 3 and  $\alpha = 0.709$  for factor No. 4. The total reliability of external factors amounts to  $\alpha = 0.876$ .

To verify the hypothesis, we applied the regression analysis where the dependent variable was represented by the mission factor, while independent variables were represented by all the dimensions of external factors and the remaining three dimensions of internal factors. We applied the Enter method which keeps all the included independent variables in the model.

In verifying the hypothesis, we applied a multiple regression analysis to ascertain the correlation between the mission and the influences of internal and external stakeholders. The regression model proved to be significant ( $F=6.752$ ,  $p=0.000$ ). The corrected coefficient of determination amounts to 0.365, which means that 36.5% of variation by the dependent variable can be accounted for through independent variables included in the model. The Durbin-Watson Test also gives us optimum results around the value of 2. Correlation between the independent variables and the dependent variable – mission amounts to 0.655.

Table 3.

REGRESSION MODEL

	Non-standardised coefficient		Standardised coefficient	t	sig
	B	St. error	Beta		
<b>Constant</b>	.007	.095		.071	.944
<b>INT1 Decision-making</b>	-.156	.116	-.156	-1.350	.182
<b>INT2 Regularity</b>	-.308	.136	<b>-.304</b>	-2.256	<b>.028</b>
<b>INT4 Internal control</b>	-.133	.123	-.133	-1.086	.282
<b>EXT1 Public relations</b>	.578	.114	<b>.574</b>	5.083	<b>.000</b>
<b>EXT2 Fundraising</b>	.306	.139	<b>.304</b>	2.209	<b>.031</b>
<b>EXT3 Advocacy</b>	.387	.105	<b>.384</b>	3.696	<b>.000</b>
<b>EXT4 Integration</b>	-.099	.114	-.099	-.869	.388

Source: Authors' calculations

It was established that the mission in NGOs is influenced with statistical significance (at a 5% risk rate) by three external factors (public relations, advocacy and integration) and one internal factor (regularity). The greatest influence (in view of the beta value) on the dependent variable is that of public relations, followed by advocacy (Table 3).

The standardised regression coefficient for regularity amounts to -0.304 and has a statistically significant (sig. 0.028) negative influence on the explaining of the dependent variable – mission. The standardised regression coefficient for public relations amounts to 0.574 and has a statistically significant (sig. 0.000) influence on the explaining of the dependent variable – mission. The same is true of the standardised regression coefficient for advocacy, which amounts to 0,384 and has a statistically significant (sig. 0.004) influence on the explaining of the dependent variable – mission. The standardised regression coefficient for fundraising amounts to 0.304 and has a statistically significant (sig. 0.031) influence on the explaining of the dependent variable – mission. The summary of the regression model can be found below.

The hypothesis is confirmed and we can state that the external influences of stakeholders have a greater impact on the performance of Slovene non-governmental educational organisations than the internal influences. It was proven in the course of the analysis that the internal factors are statistically insignificant. Mission is most heavily influenced by the external factor of public relations (beta=0.574),



followed by advocacy ( $\beta=0.293$ ) and fundraising ( $\beta=0.304$ ), while the negative influence is attributed to the internal factor of regularity ( $\beta=-0.304$ ).

By applying the factor analysis, we designed four factors for internal and four factors for external factors. With regard to internal factors (decision-making, regularity, mission and internal control), we can account for a pooled variance of 61.3%, and for pooled variance of 55.5% with regard to external factors (fundraising, public relations, advocacy, integration).

By means of the regression analysis, we found out that public relations, advocacy, fundraising and regularity have a statistically significant influence on the NGO's mission, and we used four factors (three external and one internal) to account for 36.5% of the dependent variable's variability. We can thus confirm the hypothesis proposing that the external influences of stakeholders have a greater impact on the performance of Slovene non-governmental educational organisations than the internal influences. In the course of the analysis, we realised that the balance sheet data do not play an important role in NGOs, thus prompting us to abandon performance measuring through the spectrum of financial performance. The current analysis is oriented towards treating mission as the key measure of NGOs' success.

From the aspect of scientific contribution in the geographical area of Central Europe, i.e. a former communist state, a country in transition economy, we were thus far unable to find any scientific articles which empirically examine the impact of stakeholders on the development of non-governmental organisations; the study provided by the article is therefore unique in this area.

## 5. Conclusion

Non-governmental organisations are not-for-profit organisations, which, during the time of economic recession, share their fate with for-profit organisations. More and more often, governments seek help from non-governmental organisations with regard to the implementation of policies and state's capacity building. Despite the lack of financial resources, this is clearly an opportunity for non-governmental organisations to show how important they are for the development of the society as a whole, provided they are able to quickly adapt to the needs. The research of non-governmental organisations is also important, because it emphasises the importance of different impacts on operations of organisations.

This study was designed to provide insight into the impact of important stakeholders on the development of non-governmental educational organisations in Slovenia. Our results present a foundation for understanding the conflicting

interests as well as the impact of internal and external stakeholders of NGOs in a new European Member State (e.g. transition countries).

Survey results lead us to conclude that public relations, advocacy, fundraising and regularity have a statistically significant influence on the NGOs' mission. In the course of the analysis, we realised that the balance sheet data do not play an important role in NGOs, thus prompting us to abandon performance measuring through the spectrum of financial performance. The current analysis is oriented towards treating mission as the key measure of NGOs success.

Both complexity and the heterogeneity of non-governmental organisations could be counted among the most important research limitations. Another limitation is the sample, which is limited to private non-governmental educational organisations. In addition, these non-governmental organisations operate in different fields of activity, which is why it would be sensible, in order to confirm our findings, to replicate our research with a sample of non-governmental organisations coming from a different field of activity, e.g. social security or environment.

Last but not least, Slovenia is a former socialist country. Any generalisations derived from the findings are thus limited to countries having a similar social system (e.g. Croatia, Serbia), due to distinct country development paths within the socialist regime. Future studies might expand the research by including other geographic regions.

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## UTJECAJ INTERESNO-UTJECAJNIH SKUPINA NA RAZVOJ NEVLADINIH ORGANIZACIJA U SLOVENIJI

### Sažetak

Za razliku od profitnih organizacija koje ostvaruju profitabilne ciljeve pod utjecajem snažnih interesno-utjecajnih skupina, interesi interesno-utjecajnih skupina u nevladinim organizacijama mnogo su manje ujednačeni. Cilj rada je fokusirati se na doprinos i obilježja nevladinih organizacija u Sloveniji, na sukobljene interese kao i na utjecaj unutarnjih i vanjskih interesno-utjecajnih skupina nevladinih organizacija. Svrha ovog rada je provesti empirijsku analizu ključnih utjecaja unutarnjih i vanjskih interesno-utjecajnih skupina. Namjera je utvrditi odnose između interesa utjecajnih vanjskih interesno-utjecajnih skupina i poslovanja organizacija o kojima je riječ, kao i definirati razumijevanje poslovanja iz perspektive menadžmenta nevladinih organizacija. Potvrdili smo hipotezu kako vanjski utjecaji interesno-utjecajnih skupina imaju veći utjecaj na poslovanje od unutarnjih utjecaja. Otkrili smo da odnosi s javnošću, aktivizam, prikupljanje sredstava i konzistentnost imaju statistički značajan utjecaj na misiju nevladinih organizacija. Složenost i heterogenost nevladinih organizacija mogu se ubrojiti u najvažnija ograničenja istraživanja. S aspekta znanstvenog doprinosa na području Srednje Europe, u bivšoj komunističkoj, tranzicijskoj zemlji je dosada bilo nemoguće pronaći doprinos koji empirijski ispituje utjecaj interesno-utjecajnih skupina na razvoj nevladinih organizacija, stoga je opisano istraživanje jedinstveno u ovom području.

Ključne riječi: snažne interesno-utjecajne skupine, menadžment, neprofitne organizacije, interes, misija.