Approaching the Third Sector from a Management perspective: what does this offer?

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ABSTRACT

In this paper the current situation of the management theory of organisations is examined and whether or not the NPOs need their own framework within this theory or not. Some authors have suggested that NPOs present special characteristics different from firms. From this perspective NPOs are a different group of organisations and the management theory of organisations have to develop in this area. Thus, what are the main issues to be faced? Second, what is an NPO? What is not an NPO? What is their specific behaviour? Are there differences or similarities between NPOs in Europe? Finally, NPOs are examined from a management perspective. Third Sector, Civil Society management present particular features in the application of concepts, procedures and management tools. For example, managers use democratic and participatory decision process. In this context, the recent applications and research into NPO management are summarised, and the main problems and challenges are discussed.

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1. Introduction

In this paper different issues are proposed in order to answer the question: what does management offer to NPOs? First, management theory has a wide experience in the study of firms. Therefore, this would be the first question to solve. Do the NPOs specify their own theoretical framework or could they already be integrated in the management theory of the firm? In the following section, we try to find an answer to this question and, to that end, we examine the different paradigms that have been dedicated to the study of economic organizations, that is to say, Organization Theory, the Economic Theory of the Firm, and Strategic Analysis.

Secondly, we must consider the definition and special characteristic behaviour of NPOs and how management perspective has to approach these specific aspects. Thus, in section three the definition of the NPO is developed from an economic point of view. In section four different contributions on NPO behaviour are presented: the limits of NPO, objectives of NPOs, cross-financing, organizational structure, interaction with environment, and role of donors and volunteers, while the next section examines the differences or similarities between European NPOs.

Thirdly, we review contributions on NPO management in the most recent literature. The main topics refer to a wide range of questions, but with special reference to efficiency and accountability, as well to organizational structure. Finally, in order to respond to the initial question, challenges and problems are suggested from a management perspective and particularly for the case of European NPOs.

1. The management of organisations: firms and NPOs

Does a theory or group of theories exist that allows us to explain the changes that economic activity and firms have experienced in recent years, to predict the secondary implications that are derived and to guide those that should negotiate the change on how to adapt in terms of both of efficiency and effectiveness? This is a question that has been constantly formulated from the firm environment (Salas, 1999). The different answers have originated theoretical advances or currents of thought that have proposed theories, skills and methods to explain or predict the different aspects related to economic organizations.

From a global viewpoint, the economic, social and cultural facts have motivated and demanded answers and reflections from managers and researchers. Thus, the General Management of the Firm analyzes the aspects most directly related to the management and organization inside the firm. We also distinguish different paradigms on organizations, coming from the Theory of Organizations, the Economic Theory of the Firm, and Strategic Management.

The Theory of Organization is a social scientific body of knowledge, a conceptual system that studies the economic and social reality of organizations, and explains their structures, processes and functions scientifically. As special characteristic of this theory is its clearly interdisciplinary nature, that is to say, it is fed by of contributions from Psychology, Sociology, Economy and Management (Bueno, 1996a:28). This theory, which has its own logic language, and does not seek the reasons of the firm existence, but rather is limited to accepting its existence as a fact, proceeding to its study. Within the Theory of Organization there are the classic schools and the organizational positions schools orientated to behaviour, as well as the contributions of systemic focuses, both contingent and strategic.

A main characteristic feature of the Organization Theory is the sensitivity to the managerial problems of the moment, as well as a strong multidisciplinar and empirical character. To be able to adopt theoretical frameworks of analysis to management problems this theory adopts research methodologies that already existent in other fields, what has endowed this research area with a strongly multidisciplinar character. The sensitivity to management problems requires first hand information on the organizations performance and therefore, an agile and fluid contact with the same. It has marked the style of most studies carried out in this area, where the empirical investigation is one of its main elements and the inductive method the main way for the elaboration of theories (Ortín, 1998).

The Economic Theory of the Firm denotes the study of organizations and the organizational phenomena using concepts taken from current Organization Theory, from organizational behaviour and from microeconomics. Barney and Ouchi (1986:xi) proposed: "*Our position is defined by the common perspective of these three disciplines, and is based on concepts, ideas and methods that seem to be the most useful in order to explain and to describe the organizational phenomena, without caring which ones are its disciplinary roots*" .

The Economy Theory of the Firm provides the fundamental theoretical bases to understand the problems that managers should confront, since the allocation of resource and structural interrelation. In this sense, it could explain markets performance, price formation, and the justification of firm survival. Within these contributions made by Transaction Cost Theory are particularly useful, where the choice between company and market is solved through the assignment mechanism that allows objectives to be achieved with lowest cost. Thus, Agency Theory analyzes the repercussions that the delegation of decision capacity has in a situation in which individuals have divergent objectives. Property Rights Theory that highlights the organizational problems when owners give up the exercise of their capacity of decision and control, transferring this to a third party.

Strategic Management constitutes the third of theses large areas that make-up the general trend, in the sense that facilitates the choice of different business and determines the forms in which the companies compete. The management process integrates organizational design aspects, strategy choice and decision, strategy implementation, restructuring and organizational learning, and objectives control (Bueno, 1995).

Strategic Management places special emphasis on firm and its environment. Firm environment is subjected to a process of continuous change. The wining companies in this new situation will be those that are able to adapt, achieving a solid position with respect to their competitors.

Nevertheless, Hernángomez and Fuente, (1991) point out the progressive approach of the Economic Theory of the Firm and Organization Theory: "*on one hand, the overcoming on the part of the microeconomics of the narrow limits of prices theory and on the other hand, Organization Theory looking for new organizational forms they are generating an evident interaction and integration*."

Currently, we can find the same situation in the specific universe of the NPO. The set of contributions to the study of NPOs has its sources in the contributions of the Economic Theory of the Firm, Organization Theory, and Strategic Analysis with differing degrees of development. However, we should note that NPOs have received a treatment specific and separate from For-profit organizations.

The complexity of NPOs is increasing, so it is probable that not general theory of the NPO will exist in the near future. This growing interest and development of specialized literature on NPOs arises from two demands: first, the number and size of these institutions are growing, as in the scope of their activities and the new relationships of competition and collaboration between NPOs and for-profit organization and public sector. Second, in this context, NPOs demand skills that allow them to confront changes in a more complex and competitive environment, as well as the demands of their users, and donors, etc. (Oster, 1995).

Hall (1996:47) in his book entitled "Organizations, structures, processes and results" argues: "*In a taxonomic perspective, voluntary organizations are probably separate class of organizations*". The situation expressed by Hall suggests that NPOs need a specific theoretical framework, since altruism and the nonprofit entrepreneur cannot be understood within the context or theoretical framework of the firm. Nevertheless, the contributions of Organization Theory are indispensable in order to build this context as are the contributions of the Economic Theory of the Firm and Strategic Management. From the Strategic Management point of view there are more interactions and the research into these organizations for almost twenty years has produced relevant and excellent contributions.

It is also important to highlight the suggestion of Knoke and Presnky (1984:3-4), and Crauser (1999). Knoke and Presnky consider that traditional Organization Theory has limited utility when studying voluntary organizations. This conclusion is based on the differences detected in the analysis of incentive systems, stakeholders commitments, formal structures, leadership and authority, environmental conditions and topics of organizational effectiveness."

Furthermore, Crauser (1999) proposed: "*Those managing Social Economy organisations need entrepreneurial skills, even when they are not engaging in obviously market-orientated activities. But they will also need other skills that reflect the specific nature of their organisation. Skills that will allow them to deal* *with such issues as quality of service, value for money, public accountability, and the ethical treatment of volunteers and salaried employees, often above and beyond what would be normally expected of the private sector*".

2. What is an NPO? What is not an NPO? A definition.

Economics analyzes human behaviour from the perspective of the production and distribution of goods and services in a society, and assumes self-interest as a basic paradigm. This self-interest is related to the maximization of monetary benefits that individuals receive through the activities that carry out, but it can also be related to everything that the individual considers desirable for him or herself or for the common well being. That is to say, preferences are represented through a utility function whose arguments are either the direct private well being, or the well being of others, or of society in general. In the latter case, people can be involved in activities of production or exchange and do not reveived a direct or indirect personal benefit. Based on this distinction, we will speak of profit or nonprofit human activities. We will say that a human activity is nonprofit when the individual who carries it out does not receive an explicit compensation from the party who benefits. By contrast, profit activity is where the party who carries out it receives an explicit compensation in exchange.

Organizations are not conditioned by the objectives of their promoters; rather they are conditioned by their effectiveness in order to achieve these objectives, as compared to individual action in the market.

If the organization is a support of activity to produce goods and services, it is not necessary to attribute its objectives, because such attributes are particular to humans. Therefore, we cannot to speak of nonprofit and for-profit organizations in terms of objectives that support or channel the economic activities, but in terms of the objectives that motivated the members of organization with rights to decide on its continuity or end, as well as on politicies and general rules of internal performance. In this sense, we will speak of for-profit organizations when the collective action is developed in an institutional support, where the stakeholders look mainly or exclusively their self interest, through explicit compensations, in exchange their contribution to the collective action. By contrast, NPOs are the instrument of group resources owners, those who, in a significant part, don not condition the contribution of resources to an explicit compensation and, in any event, where the owners with essential decision rights cannot appropriate the profits of collective action.

In nonprofit organizations, the explicit compensation in exchange for promoters or members are prohibited. That means that the incentives to the efficient exercise of the ownership on the part of those to whom it corresponds should be the initial motivation to contribute to the well-being of others, without receiving explicit rewards in exchange[1].

Furthermore, the variety of interests and objectives for those individuals that create these organizations requires that we make a classification. Based on the concepts of nonprofit activity and for-profit activity, and according to the institutional support we can formulate a classification of organizations and activities, as follows:

Table I: NPO classification.

Organization/Activity	For-profit activity	Nonprofit activity
Nonprofit Organization	(ii) Mutual and Co-operatives	(iii) Associations Foundations
For-profit Organizations	(i) Firms	(iv)Firm Social Action Activities

Source: Marcuello (1996 and 2000)

(i) The for-profit activity carried out through for-profit organizations has legal support in the form of firm or private societies, where their members look for self interest and profit maximization (monetary)

(ii) The combination of nonprofit organizations and for-profit activities. The use of NPOs to develop for-profit activities allows individuals to carry out the activities with the purpose of obtaining some type of personal compensation or improvement in well being of stakeholders.

(iii) The intersection between nonprofit activity and NPOs takes the form of organizations set-up to carry out activities that favour the general well being, and whose objective is to produce public or external benefits.

[1] See Hansmann (1980) NPO are characterized by the legal restriction that prohibits to distribute benefits or earnings to the individuals that have capacity gives control on the organization (members, directors, managers). In this definition benefits are not limited but only the distribution of benefits. If there are excedents from the NPO activities must be finance the future services

(iv) The nonprofit activities of the firm and profit organizations are those that are framed in the context of the social activity of the firm, incipient in the Spanish, case and a great deal more developed in the Anglo-Saxon world.

Therefore, considering this classification, as well as the Social Economy and Third Sector contributions, we understand that NPOs are legality recognized organizations, -leaving the informal groups, independently of its work or effects outside the framework- that are private, self-governing, where decision and control rights belong to the stakeholders, and where there are workers or volunteers, and where there distribution of possible profits from the activities are limited, and whose objectives are, social, civic, educational, cultural, scientific, sporting, health, international cooperation, environment, social economy or research

The complete set of NPOs produce external social benefits, but, in the strict sense, Associations and Foundations are the group of entities where the altruistic interest of promoters converges with the legal figure. In a wider sense, Cooperatives and Mutuals are entities where promoters have a particular interest that is articulated through these entities.

2.1. The limits give the definition: diffuse frontiers

If we consider activities of NPOs as social organizations, they appear a mirror of civil society organized beyond the logic of the market. Their rationality responds to approaches that are as much political as social thing -in a wide sense-; they are the substratum of various activities that also have an impact on the economic processes of society. In fact from that dimension, Economics tries to explain the existence of this group by referemce to the division of society into three sectors: public, the for-profit private and nonprofit sector (Weisbrod, 1975 and 1986).

This distinction proposes three clearly separate sectors from an economic perspective. However, the reality insists presenting some diffuse and permeable frontiers between them. There are some institutions that exist in the public sector that more frequently present more independence, and that operate as similar agents to an NPO, although, they are maintained as public organizations. In turn, there are firms wich are difficult to location in the sense that they have a commitment with the community where they operate. For example, social enterprises: under the figure of firm, they are competing in the market, and they look for profits, but their main purpose is the social and professional insertion of people excluded from labour market, and where their profits are exclusively to assure the survival of the project and the insertion of these people.

We are in a reality place in our society where there is still much to consolidate. The social phenomena are difficult to delimit, even more when we speak of processes of change or innovation. NPOs have gone presenting some proceed forms and to be in the world; for that reason we have to be open to possible evolutions and changes of this environment. The previous definition is not closed since it would limit us; we prefer to adopt a focus where it is assumed that there are some common elements that are enriched by the changes that happen constantly, allowing us to be more coherent even at the expense of being less operative.

3. What is the specific behaviour of NPOs?

According to previous definition NPO suggested there are NPOs whose objectives and performance are very closed to for-profit organizations. At the practical level, the produced goods and services are sold in the market; furthermore there are no volunteers and their objectives and activities revert to their own members, although there are limits to profit distribution. Nevertheless, there are NPOs whose objectives and performance are guided strictly towards the general interest and altruism; in this case, all their produced goods and services are free, and fundamentally their workers are volunteers. Evidently, the management and behaviour of these latter present more differences with the for-profit organizations.

In this sense, NPO behaviour has been analyzed, with this study evolving in parallel to the theories that try to explain the reasons why these organizations were created and the role they carry out. In what follows, an adopting Steinberg (1997) we present the different contributions.

3.1. NPO: Organizations without owners.

The NPO is an organization without owners. Thus, it is necessary to examine the consequences of this essential characteristic, to analyze the behaviour models and how it affects the determination of organization limits. The non-existence of owners in these organizations it has been considered from two complementary visions: Property Rights Theory and the study of the limits that identify an NPO.

The attenuation of property rights that underlies the NPO does not imply that these organizations perform without control. On the one hand, the promoters know that residual earnings are not directly appropriable for them. Therefore, the decision to create an NPO will already be based on other objectives. The owners-promoters will implant the mechanisms of internal control that assure the private efficiency of the organization, that is to say, that their objectives are achieve at the minimum cost.

From the perspective social efficiency, the relevant question is to determine if the private and social objectives are appropriately aligned, either because the latter are assumed by the owners, or because competition in the market or regulations and managerial controls force the organization to meet the demands of society in a efficient form, given that other wise it would be forced to disappear.

3.2. Objectives

The study of NPO objectives has supposed a relevant contribution in the search for behaviour characterization of the NPO. The literature is very extensive, and we can distinguish two main issues: 1) the relationship between NPO objectives and the manager decision (Steinberg, 1986) 2) and the cross financing models (James, 1983).

Steinberg (1986a) developed a model that identifies the objectives of NPO in a range of possible objectives: one, budget maximization, in which the gross resources are maximized, two, the maximization of the quantity and quality offered service. In this model, Steinberg used variables that describe and influence in NPO behaviour and their managers: variables related to revenues, external resources, fundraising expenditures, donations; variables related to NPO performance, administrative expenditures, and production services expenditures. The paper of Steinberg (1986a) has supposed a remarkable advance for later studies such as a Weisbrod and Domínguez (1986), Khanna, Posnett and Sandler (1995) and Marcuello (2001).

The study of NPO objectives is also enlarged when we reflec on an element that provides a distinguishing characteristic, namely the cross-financing. From among the previous studies, we can highlight James (1983 and 1986), Steinberg (1987b). In the last decade, the financial aspect of NPO, have been particularly consider by some authors, such as Schiff and Weisbrod (1991), Eckel and Steinberg (1993), Gronberj (1993), Salamon (1993), Young (1998), Weisbrod (1998) and Konrad (1998).

The cross-financing model was proposed initially by James (1983 and 1986). In these models NPOs are identify as those that use the production of one or several organization services as financial source. The funds obtained through the revenues generated by the commercial services are invested in the production of nonprofit services. In this case, NPOs have a competitive advantage as compared to for-profit organizations that are competing through service or services in the market. This advantage is due to their condition of tax exemption. These models elaborate the rules to structure the composition of organizations services, commercial and nonprofit services, that is to say, what are the variables that determine which service or services are appropriate in order to obtain financing.

3.3. Internal Organization

Organizational structure is another fundamental characteristic in order to achieve the mission and objectives of NPOs as are the way management processes are established to obtain more efficient organizations. The role of the Board of Directors and of managers in the execution of NPO objectives has received an special attention. From among, the main analyzed aspects we can note the study of life cycle of Board of Directors (Dart, 1996), the relationship between efficiency and the objectives of managers (Green and Griesinger, 1996; Holland and Jackson, 1998), and the remuneration and incentive systems of managers (Alvarado, 1996; Handy and Katz, 1998; Oster, 1998).

Organizational design models have received more attention as NPO complexity has increased (Shoilet, 1998). Young, Bania and Bailey (1996) examine the use of organizational designs in those situation where an NPO is formed by other NPOs with a local character as entity that allows generating auto-control interns systems. The growth in size and in the scope activity of some NPOs allows us to speak of the multinational NPO. To this regard, Hudson and Bielefeld (1997) are especially interested in this type of entity and examine the role of the organizational structure adopted.

3.4. NPO: the interaction with the environment.

NPOs are not isolated, and the environment influences their behaviour through several external factors. The interaction process of NPOs with their environment is affected by changes in demographic, legal, cultural, economics and market conditions, etc. NPOs are pressured to achieve greater impact, efficiency and accountability in an increasingly global and competitive environment (Lidenberg, 2001)

NPOs are operating in an environment where ambiguity and change is constant (Kay, 1995). Thus, strategic management offers useful concepts, procedures and tools to NPOs, but the models and strategies recommended as excellent for the firm are, in general, not directly applicable to NPOs (Wilson, 1995).

In particular, the existence of numerous and diverse internal and external stakeholders (members, donors, volunteers, workers, users), the variety and variability of financing sources (subsidies, individual or corporate charitable contributions, commercial goods, fundraising activities) and legal restrictions are a complex set of factors (Pinera, 1998). The strategic process should take into account the study of internal and external stakeholders (Pinera, 1998). The objective is to know the nature of their pressures, necessities or demands and the NPO strategies to counteract those pressures or to take advantage of them and to satisfy the necessity of these groups (Brudney and Murray, 1998).

It is necessary to examine the skills that allow us to explain the problems and decisions that affect NPOs. Strategic management of NPOs should be oriented towards raising resou rces, more than to services provision. Furthermore, NPOs strategies have to take account of the pressures, necessities and demands of internal and external stakeholders.

Finally, the relationship between NPOs and the environment should consider two directions: collaboration strategies and competitive strategies. In both cases, the collaborators and competitors could be other NPOs, for -profit organizations and the Public Sector.

The study of the conditions in which the competition between NPO is carried out has two perspectives: first, competition between NPOs and secondly, the competition between NPOs and for-profit organizations. The first has followed a specific line of development. The social, cultural, economic, technological and ideological changes (Osborne, 1995) are supposing the creation of new demands for NPOs. Paradoxically, in the case of NPOs competition does not take place, in many cases, in the provision of services, because demand is growing; rather, it originates in the search for necessary resources for its activity (Weisbrod, 1998). Tuckman (1998) considered that there are nonprofit markets and proposed the model of Porter (1980) to analyze the competitive forces that affect the NPO.

Secondly, the study of competition between NPOs and for-profit organizations arises when the first former decide to offer commercial goods with the purpose of obtaining profits that finance nonprofit activity (Galambos, 1993). The more fully studied sector is the hospital sector in the United States (Gray, 1986 and 1991) and Richard (1999), William and Neumann (1999).

3.5. Donors and volunteers

The ideological component and individual altruism are elements that have been used to explain the existence of the nonprofit sector and, particularly, of private donations. Volunteers and donors are special characteristics of NPO. Both are important and, some cases, the main members of NPO. The relationship between volunteers and NPO means that some individual offers his time and do not expect any recompense. Donors give monetary contributions and do not expect any compensation. That is to say, volunteers and donors behaviour is caracterized by altruism. However, different contributions to the literature[2] have argued that individual altruistic behaviour is not sufficient to answer the question as to why people donate to these organisations, and that it is also necessary to simultaneously consider a cluster of factors (Rose-Ackerman, 1997). The arguments used to respond to this question can be divided into three groups. The first is the existence of tax incentives to encourage donations[3]. The second is the public provision of public goods, where this is considered by private donors as a guide as to how much they themselves should donate[4]. Finally, other authors have distinguished between the effects of *pure altruism* and *impure altruism*, which, according to Andreoni (1989 and 1990) imply that there could be different motivations lying behind the decision to donate. In the case of pure altruism, it has been argued that the donor demands a greater quantity of public goods with no desire to receive any tangible or intangible return for his contribution (Roberts, 1984 and Becker, 1974). On the other hand, impure altruism, the decision to donate may have an effect on the donor's prestige, respect, personal utility and/or the possible direct or indirect consumption that he perceives to be a reward for his donation[5]. Finally, the literature on monetary contributions has developed models which set-out to analyse these elements, in which the modelling context of motivations and behaviours are specified in terms of the purchase of public goods from NPOs, (Bilodeau and Slivinski, 1997)

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[2] See Rose-Ackerman (1996 and 1997), Harbaugh (1998) and Payne (1998).
[3] This argument is developed in the following section.
[4] Reece, (1979); Schiff, (1985); Bergstrom et al., (1986); McClelland, (1989); Steinberg, (1987 and 1991); Kingma, (1989); Ley, (1996); Payne, (1998). The provision of these public goods are made by means of public expenditure on their production and contributions of other donors to NPOs.
[5] The study of the pure or impure altruistic nature of donors has been considered by means of the effects of the donation itself on the utility level of the donor, (Kingma and McLelland, 1995; Smith et al., 1995)

4. Are there differences or similarities between NPOs in Europe?

In this section we summarize the conclusion of Salamon et al (1999): *Global Civil Society,* as well as the conclusions that European institutions have published in the Diretorate-General of Employment and Social Affairs (2001): "The social situation in the European Union 2000", Document European Commission.

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According to Salamon et al. (1999) *"In Western Europe the dominance of welfare services in nonprofit employment is particularly marked. On average, three-fourths of all nonprofit employees in the Western European countries we examined work in education, health, or social service organizations. This reflects the historic role that the Catholic and Protestant churches have long plaed in the education and social service fields in Western Europe. (…) Under this concept, which is especially influential in Germany, the Netherlands, Belgium, and to a lesser extent, Austria and Spain, nonprofit associations are assumed to be the first line of defense for coping with social welfare problems, and state involvement, when it occurs, is expected to take places with and through such groups to the extent possible. Significant nonprofit organizations have consequently grown up in these fields, many of them affiliated with religious groups, and in some places, the workers' movement".*

In Central Europe, a quite different dynamic seems to be at work. In this region, recreation and culture play a much more important part in the employment base of the nonprofit sector. (…) More that than third of the full-time equivalent workers in the nonprofit sector in these countries is employed in culture and recreation associations. This very likely reflects the heavy subsidization of such association during the Communist era. (…) Central Europe is also notable for the significant scale of employment in nonprofit environmental and advocacy organizations. (…) By contrast, the traditional welfare services –health, education and social services - still engage much smaller shares of the nonprofit workforce in Central and Eastern Europe. This is because the state remains a much more favored vehicle for social welfare provision in this region and the tradition of subsidiarity so evident in Western Europe retains only a faint echo in Central Europe".

From a European perspective, it is interesting to point out the conclusions that European institutions have to publish.

"*From the 1998 Eurobarometer, show that nearly one half of adult citizens in the EU partake in either social, cultural or political activities. The Nordic Members States and the Netherlands have the highest levels of social participation and the Southern EU Member States have the lowest. Thus there appears to be an inverse relationship between the level of contact between family members and participation in social, cultural and political activities.*

Overall the level of participation in social or religious organizations undertaking charitable activities is quite low in the WU as a whole (7,4% of those aged over 1 but the level of participation in the Netherlands is 6 times that in Greece.

The majority of citizens (67,8%) spend less than 10 hours per month engaged in such activities. Above average maximum time allocations were found Belgium, Denmark, Ireland, Italy Austria, Portugal and the United Kingdom. We can suggested that there separate 'cultures of participation'. In the South the picture is one of higher levels of informal, neighbourhood and community interaction, whereas, in the North, there is more participation in forma clubs and associations[6]"

Source: Diretorate-General of Employment and Social Affairs (2001): "The social situation in the European Union 2000", Document European Commission

(Summary of Salamon et al. (1999)

5. NPO: from a management perspective nowadays.

At the end of the 1990s, Salamon (1999), Zimmer (1999) and Kuti (1999) analyzed the current situation of NPOs and they generalized the existence of a crisis in the nonprofit sector, with different factors for this sector in United States and in Europe. Salamon suggests that the current situation of NPOs in the United States is the result of the constant decrease of public supports during that decade. The cutting of public financing has forced a search for other sources of financing as well as increasing commercial goods and services and the companies donations as compared to private donations. This new orientation, according to Salamon, is resulting that the sector is seen as excessively professionalized and bureaucratized, further, it is causing a loss of trust on the part of the society, since the frontier that distinguishes the NPO and for-profit organizations is observed to be more and more delicate.

In the case of Europe, there are differences between Western Europe (Zimmer, 1999) and Eastern Europe Kuti (1999). In the first case, Zimmer observed a situation a crisis completely different from the found in the USA. In Western Europe NPOs and Public Sector have maintained a close collaboration and the NPOs have a problem of legitimacy and identity. As for the countries in East

Europe, the crisis factors are originated in the limited maturity of NPO sector and their dependence on foreign financing that questions their viability. These three studies point out that situation of the nonprofit sector has to be analyzed from its inclusion in the environment and the their circumstances of each country, culture and the economic relationships between the three sectors. Weisbrod (1997 and 1998) suggested that there are new problems for the nonprofit sector in the choice of financing sources. He highlights that some sectors, and in some countries, the NPOs are forced to become organizations with a more commercial character, losing the signs of their own identity that distinguishes them from the for-profit sector and the public sector.

5.1. NPO: from a current management perspective.

Furthermore, in recent years, theoretical and applied research on NPO management has focused on different aspects,

We find that the aspects relate with accountability, organizational structure, ownership are prevalent, while less attention has been given to other issues, such as human resources incentives[7], networks and collaboration between NPOs and government[8], financing[9], charitable giving[10], and general strategic skills[11].

The accountability development of NPO has been approached from different perspectives and with complementary elements. Thus, managers need measuring and managing organizational performance (Kaplan, 2001), which is a difficult job in the nonprofit sector (Sawhill and Williamson, 2001). In this framework, there is a concern on how evaluation is being conducted, that it is to say, the quality of the research methods and measures (Hoefer, 2000), and improving the quality of outcome evaluation plans (Preyra and Pink, 2001). Organization self-assessment has become popular, but again the authors observe that it is necessary to use the appropriate methodology (Paton, Foot

[6] Diretorate-General of Employment and Social Affairs (2001): “The social situation in the European Union 2000”, Document European Commission
[7] Ferris (2000)
[8] Snavely and Tracy (2000), Najam (2000)
[9] Greenlee and Trussel (2000), fundraising (Sheehan, 2000),
[10] Brooks (2000)
[11] Boardman and Vining (2000), new technologies and management (Burt and Taylor, 2000), strategic planning process (Mara, 2000)

and Pay, 2000). Organizational effectiveness and the discussion of the models and applications (Rojas, 2000)is yet another subject that has received attention.

Harris (2000) has suggested an interesting framework "*why and how nonprofit organizations are conducting program evaluations*", and what are the factors that nonprofit agencies identify as contributing to a useful and credible evaluation. Finally, Harris has tried to determine the role of stakeholder participation in program evaluation.

Reflections on organizational structure has been devoted to the need for nonprofit organization to develop a viable organization. That is to say, how NPOs could meet social and stakeholders needs (Bryson and Shaye, 2001). This is a perspective that understands NPOs as an open and permeable structure to environmental demands.

If we now look at the inside of NPOs, Young, (2001) has proposed "*the concept of organizational identity when the NPO is composed by national and international associations*. Identity is a key factor in resolving the structural dilemmas.

A topic that it is always being examined and that affects the decision-making model is the decision on the centralized or decentralized organization (McPeak, 2001). Standly (2000) analyzes "*hew structures that centralize the member management and governance function while keeping service delivery decentralize*". However, we can find multisite organizations (Grossman y Rangan, 2001) that show cohesion problems owing to they own nature. In this case, inevitable tensions emerge in the relationship between headquarters and the local organizational structure that could be solved with greater system cohesion. Furthermore, a number of central-local relationships valuated models in the nonprofit sector have been developed, but this subject is still an open one (Taylor and Lansley, 2000).

Finally, the role of board of directors in the structure is fundamental, mainly when NPOs work with the egalitarian consensus model of management (Hernandez and Leslie, 2000). The role, objectives and behaviour of managers have been analized by Agency Theory (Hewitt and Brown, 2000)

6. Conclusions: main problems and challenges.

NPOs have been consolidated as a group of organizations that form a sector with its own identity (Weisbrod, 1975) and the complexity of NPOs is increasing. The growing interest and development of specialized literature on NPOs arises from two demands: first, the number and size of these institutions are growing, as in the scope of their activities and the new relationships of competition and collaboration between NPOs and for-profit organization and public sector. Second, in this context, NPOs demand skills that allow them to confront changes in a more complex and competitive environment, as well as the demands of their users, and donors, etc. (Oster, 1995).

We can confirm that NPOs need the own theoretical body of knowledge from the management perspective. In this regard, the Economic Theory of the Firm, Organizational Theory and Strategic Management could offer the framework to develop a specific knowledge of NPO.

On the basis of the questions examined in the pre vious sections, we now raise some problems and challenges as issues that should be faced from the management perspective. Management skills are needed to adapt and reflect the specific nature of NPOs, and Knoke and Prensky (1984) suggested the following issues. First, management has to establish the incentives systems and commitments of members or stakeholders in order to lead in an effective way. Second, the organizational structure should be defined with tasks division and a simple formal internal structu re. Third, leadership and authority in these NPOs must be developed taking into account the associated authority patterns and confederates, organizations ideology, democratic decision-making process and amateur leadership. Four, the NPO organizational structures have to be flexible in order to adapt to changing environmental conditions. Finally, effectiveness is a goal and the result of the aggregation and expression of objective members, however, there are problems in measuring these goals owing to the fact that these results are sometimes ambiguous and diffuse.

On the other hand, European NPOs have expressed their needs, which can be summarized as follows to:

Main future needs of voluntary organisations:

- *More funds and more staff, and above all the former, is more or less universal.*
- *Older voluntary organisations desire more paid staff.*
- *Younger voluntary organisations appear in relatively greater need of information and management advice.*
- *The desire for more volunteers is very widespread.*
- *The need for more training is fifth in the ranking.*

Source: European Commission (2000): "Promoting the role of Voluntary Organisations and Foundations in Europe", Communication from the Commission

The European institutions have also formulated some relevant questions that NPOs and their management should consider,

1. "*Voluntary organisations play in strengthening a sense of citizenship and providing a means for its expression is of growing importance at the european level. They have an active part to play in creating a sense of European citizenship*"
2. "*Voluntary organizations and foundation foster a sense of solidarity* and *of citizenship, and provide the essential underpinings of our democracy*"
3. "*The nonprofit sector work together with the European Institutions. The heterogeneity is valued in particular, its knowledge and experience of social policy, environmental, aid and development issues and for providing a vital link with citizens in their localities, especially to those most vulnerable in society"*
4. "*The increasingly pivotal role the voluntary sector plays in a wide range o issues central to the construction of Europe, including in particular, in many Member States, in the management and deliver of key aspects of social welfare services* ."
5. "*Voluntary organisations and foundations make every effort to promote themselves, through use of the media and new information technology. They should try to be open and accessible in order that the public and public authorities understand their aims and objectives and how they work. Organisations should encourage relevant training for their staff and volunteers, and when appropriate, should try to develop good links with public authorities and the corporate sector.*
6. *The sector should look to diversify its funding base in order not to become too dependent on any one source of funding. Networks of organisations should also try to ensure that their membership base is as comprehensive as possible in order for them to be truly representative*."

Source: European Commission (2000): "Promoting the role of Voluntary Organisations and Foundations in Europe", Communication from the Commission

Up to now, we have considered NPOs from a point of view of management theory. We have then presented the particular needs of NPO in rapidly changing environment. We have also EU perspective. Finally, from a more global point of view, we suggest the following general observations. First, civic participation should prevail in society. Only in this way, will we be able to say that we really live in a democracy. This is not the case now, where a deficit of participation and real democracy clearly exits. Second, and as a corollary to the above, we should encourage the creation of social capital, that is to say, facilitating the vertebrate civic organizations starting from common objectives that, in latter steps generate networks that create a multiplication effect. Third, management procedures should be defined that guarantee the transparency of NPOs -something that should also apply to the rest of the organizations operating in society - and the execution of responsibilities in the interest general. Finally, the development the social audit can be a very interesting instrument for the daily life of these entities as an element it guarantees to society the correct functioning of organizations on which it has placed its trust.

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