

NON-PROFIT ORGANIZATIONS: WHICH GOVERNANCE MODEL FOR VALUE CREATION?

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Abstract

The disciplinary approach remains dominant in corporate governance. However, non-profit organizations are part of the social economy and have a specific legal and organizational framework. A clear evolution of associative action in Morocco has been observed since the launch of the National Initiative for Human Development (INDH). In addition, companies interact with the associative world as part of their social responsibility. Some associations have managed to establish themselves as an associative structure with well-framed projects while others are struggling in financial problems with some punctual actions. This article attempts to answer the question of the governance of associations and to propose the model (s) that will help to make associative action a lever of social development and creation of value.

Key words: association, governance, stakeholders, cognitive approach, shared value.

INTRODUCTION

The environment is undergoing profound upheavals in various fields due to a multitude of factors, including the demographic explosion, economic and technological development and recently all these phenomena related to globalization. As a result, all organizations must be able to deal with numerous internal and/or external contingencies at any time. Their strength, effectiveness or survival may, to a large extent, depend on their ability to integrate or even anticipate the many changes imposed by the normal evolution of this environment.

Morocco is, of course, not spared and also lives in the turmoil of such a frenzy. Thus, it must be noted that this development requires a new way of conceiving the improvement of the standard of living, and public authorities alone have difficulty in meeting the multiple demands. It is, undoubtedly, for these reasons that our society is witnessing the increasingly convincing involvement of other instances, in this case associations.

The associative movement is one of the means that reflects the will of civil society to provide solutions to economic, social, cultural, environmental and political problems. Indeed, the association tries to intervene in specific and diverse areas to redress sprains in those where the State has been virtually absent or powerless, for reasons of priorities or budgetary insufficiency.

As part of its privatization policy, the State increasingly relies on the initiative of the population in economic development. Thus, Morocco has seen a proliferation of association creations, mainly since the appeal launched by the King of Morocco through the National Initiative for Human Development (INDH).

The right of association is a constitutional public freedom that gives citizens the right to organize themselves to « share, on a permanent basis, their knowledge or activity for purposes other than to share profits »¹. The association is certainly a legal structure, but above all it is a human reality and a true animator of social life in our country. Its role is therefore fundamental in our society. In view of these elements, it seemed appropriate to us to examine the associative action and, in particular, the aspect of governance. Indeed, the associative actions follow one another, but are not the same, they converge, however, towards the same final objective, that of supporting the socio-economic development. In recent years, these actions have seen considerable growth and clear evolution around the world. Thus, in some countries, the associative action is really beginning to occupy a prominent place.

Closer to home, while some associations have succeeded in breaking through and establishing themselves as full-fledged associative structures, others are still in their infancy. However, associations share many common aspects. Where the differences emerge more intensely is in the governance model. In this sense, what governance model(s) for non-profit organizations? In order to try to answer this question, we will review the three approaches to governance (shareholder, partnership and cognitive) then, and based on secondary data on the Moroccan associative world, propose the model or models that will help to make the association a lever for social development and value creation.

1. THE CORPORATE GOVERNANCE

The era of prosperity and reconstruction following the end of the Civil War lasted from 1865 to 1901, a period in which the United States experienced unprecedented economic, industrial and demographic growth, thanks in particular to an abundant labor force (massive influx of immigrants) and an openness to science and progress.

The period of massive industrialization in the United States was accompanied by the training of large factories (steel, oil...) with the increase in production units resulting in the need to call on managers to supervise the workforce. Their mission was to deal with staff conditions (hiring, dismissal, pay, promotion, etc. The establishment of managers to supervise employees in large companies followed the rather personalized relationship between employee/owner in small craft companies. The arbitrary and insensitive attitudes of some managers have only increased employee frustration, which has materialized in social movements in the workplace. The concept of welfare care in the form of paternalistic practices (addressing state failures) is largely influenced by the Catholic and Protestant religions. Some business leaders, by engaging in practices such as housing, education, health and recreation for both employees and their families, sought to retain a skilled workforce, especially in times of shortage.

¹ Dahir of November 15th, 1958 on civil liberties

The SR focused on the company's manager as the employer who reflects the employer/employee relationship and was based on the religious principle, which requires the employer to act as a good father. However, transformations in the business world have led to the emergence of shareholder-owned enterprises. The traditional employer/employee relationship has changed to focus on the company/society relationship. Indeed, in the figure of the manager of a family business, managers have replaced each other at the helm of large shareholder companies. The new configuration features a manager who is the representative of several actors. A new capitalism is emerging: managerial capitalism marked by information asymmetry, among other things. The debate concerns the degree of autonomy of managers, their responsibility and the methods of controlling managerial action. Managers are challenged to use their power in a responsible way to align economic objectives with those of society.

After World War II, the United States emerged as the undisputed world economic leader and its industry experienced its golden age. The development of the large corporation and the dispersion of ownership among a large number of shareholders has resulted in the separation of ownership and control. The decision-making power then passes from the shareholders to the «managers». Industrial capitalism with its problematic dissolves into the new problematic of managerial capitalism².

It is from this point that the central question of « *corporate governance* » will be asked, which will return to the forefront of the scene a few years later. Adolf Berle and Gardiner Means, in their book « *The modern corporation and private property* », published in 1932³, make an initial analysis of the company. Their starting point for what has been called the « *managerial revolution* » has had a considerable influence. One of the features of the central thesis states the characteristics, functioning and behaviour of the firm, which are understood by considering the relationships between different groups, with their own interests such as shareholders and managers, but also employees and fund providers.

Gérard CHARREAUX suggests the following definition of corporate governance, which covers «all the mechanisms that have the effect of delimiting the powers and influencing the decisions of executives, in other words, that govern their conduct and define their discretionary space »⁴

1.1 THE SHAREHOLDER APPROACH TO GOVERNANCE

At the level of the shareholder approach to governance, the question is to find the incentives or constraints that lead managers not to abuse their position. This approach, which dominates the Anglo-Saxon context, is based on the firm's contractual theories, in particular transaction cost theory (Coase 1937) and agency theory (Jensen and Meckling 1976). The interest lies in resolving conflicts of interest and minimizing agency costs associated with the shareholder/manager duo (Shleifer and Vishny 1997). Indeed, managers have privileged information on the situation and the

² Lépineux F. et al. (2010). *La responsabilité sociétale des entreprises : théories et pratiques*. (p. 47). Paris : Editions Dunod.

³ Berle A.A. & Means, G.C. (1932). *The modern corporation and private property*. New York: Macmillan.

⁴ G.Charreaux, Le Gouvernement des entreprises, corporate governance, Théorie et Faits, Economica, 1997.

different opportunities offered that they can exploit to their advantage. Decisions made on a daily basis may not serve the interests of the shareholders. From a disciplinary perspective, three main types of mechanisms capable of limiting risk are considered : internal control by the various instances (boards and committees) responsible for supervising, and possibly influencing, the action of directors, incentive mechanisms designed to reduce the conflict of objectives between directors and shareholders (share-based compensation, incentives through the financial structure and the choice of financing), external control by the markets and the financial intermediaries.

1.2 THE PARTNERSHIP APPROACH TO GOVERNANCE

The partnership governance model is based on extending the manager/shareholder relationship to other stakeholders. The concept of stakeholders is defined as those groups without whose help the organization would cease to exist. According to E. Freeman, the word « stakeholders » first appeared in managerial literature in 1963 at the *Stanford Research Institute* (SRI). The word reflects a strategic thinking, by Igor Ansoff⁵ that managers needed to understand the concerns of shareholders, employees, customers, suppliers, lenders and society in order to develop objectives that these stakeholders would support. This support was necessary for long-term success. Therefore, management should actively explore its relationships with all stakeholders (PP) in order to develop business strategies.

Freeman's objective is to provide an analytical framework that addresses the concerns of managers paralyzed by the environmental turbulence, social and business changes of the 1980s. Traditional policy frameworks were inadequate to implement new strategies. A conceptual framework was needed.

While the idea that companies have stakeholders (natural or legal persons, groups, groups, communities, institutions, associations, etc.) is generally accepted, there is no consensus on the nature of the issue.

The issue may be of basis:

- a- an economic interest that is necessary for the survival of the company but which presents a risk in relation to its performance; in this case the approach is part of an instrumentalist strategic logic.
- b- an ethical basis in the creation of value and the maintenance of moral relationships; this vision is aligned with a normative approach.
- c- des contractual relations implicitly referring to the notion of the rights and obligations of organizations towards all stakeholders.

⁵ Igor Ansoff (1918 – 2002) was a professor and senior U.S.-Russian executive at the *Graduate School of Industrial Administration* du Carnegie Institute of Technology. He is a reference in the field of strategy, with his book *Corporate Strategy* (1965).

1.3 THE COGNITIVE APPROACH TO GOVERNANCE

Cognitive governance is based on the leader's ability to optimize the search for specific resources and capacities, as well as the resulting strategic opportunities (Charreaux, 2008) ⁶. Unlike contractual theories, cognitive theories represent a radical break with the neoclassical model. In these theories, value creation depends primarily on the identity and skills of the organization. The specificity of the latter is linked to its ability to create knowledge and, thus, to be profitable in a sustainable way.

This recent shift in corporate governance from a disciplinary model (shareholder, partnership) to a cognitive approach is intended to be complementary. It emerges from the firm's cognitive theories, including the RBV (*Resource Based View*), which consider the organization as a set of individuals with specific cognitive resources, skills and characteristics, which generate distinctive competitive advantage. In this context, the disciplinary approach to governance, according to which leaders must be disciplined so that they do not take decisions that are contrary to the interests of stakeholders, is not sufficient. Consequently, the cognitive approach to governance is a useful complement to the disciplinary approach since it considers the organization as an inventory of knowledge and skills that determine its competitiveness.

Barney, JB and PM Wright (1998)⁷ They develop the resource-based approach to create a sustainable competitive advantage. First, Barney (1991) ⁸ defines the three concepts: resources, competitive advantage and sustainable competitive advantage. The resources include all the assets, capabilities, organizational processes, attributes, information, knowledge and know-how that are controlled by the company and enable it to develop and implement competitive strategies that increase its effectiveness and efficiency.

A company has a sustainable competitive advantage when it implements a value-creating strategy that is not simultaneously implemented by any current or potential competitor and when other companies are unable to replicate the benefits of that strategy. The latter approach involves maintaining efforts to maintain competitive advantage (example: skills development monitoring).

With this distinction made, Barney (1991)⁹ identifies three categories of resources: physical capital, human capital and organizational capital.

Wright, McMahan and McWilliams' (1994) ¹⁰ model of sustainable competitive advantage in human resources focuses on the skills (knowledge, abilities and abilities) of the individuals who form an organization. They recognize that individual characteristics only provide value to an organization if they are used through well-defined behaviours.

After reviewing the three approaches to corporate governance, to what extent can these models be applied to associations?

⁶ Charreaux G. (2008), "A la recherche du lien perdu entre caractéristiques des dirigeants et performance de la firme: Gouvernance et latitude managériale", *Economies et Sociétés*, K 19, p. 1831-1868.

⁷ Barney JB, Wright PM. 1998. On becoming a strategic partner: the role of human resource in gaining competitive advantage. *Human Resource Management* 37(1), 31-46.

⁸ Barney JB.(1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99-120

⁹ Ibid

¹⁰ Wright, P.M., McMahan, G.C. and McWilliams, A. (1994); op cit.p.69

2. THE MOROCCAN ASSOCIATIVE STRUCTURE ¹¹ : STATUS REPORT

A research via a survey was conducted among 120 associations spread across Morocco in 2010. The information collected and the analysis made of it give us an overview more or less close to the environment of Moroccan associations and some characteristics that mark the evolution of associations.

The evolution of the associative movement has always accompanied the historical evolution of the country, and goes hand in hand with the country's strategic projects. This is the case, for example, with the launch of the National Initiative for Human Development (INDH), which has given impetus to the associative movement. Nevertheless, this partnership with the State or with other structures (donors) sometimes risks creating dependency in some associations and developing survival and not development strategies. The geographical location reveals that the associations are spread throughout the national territory with a high urban concentration. Hence the need to make greater efforts to raise the level of interventions at the rural level. While associative actions are varied and seem to cover practically all areas, particularly those related to social exclusion, actions carried out for the benefit of different targets and focused mainly on young people and the general public, remain, nevertheless, sectoral or specific. Moreover, the associative action remains marked by a manifest lack of knowledge in the field of legislation, taxation and accounting. This has a negative impact on the management of the associations.

As for the creation of an association, it is generally based on an analysis or identification of needs in the field. However, the major constraint that limits the associations' action is the lack of financial resources. It appears, however, that structured associations, with a well-crafted associative project, although few in number, are doing rather well and seem satisfied with the results achieved.

Indeed, the notions of missions, vision, even project are not really the prerogative of associations. Consequently, the actions are not part of a global perspective resulting from and planned by a common vision. Hence a loss of revenue in terms of relevance and efficiency of actions, knowing that associations, whose projects are part of an international dynamic, succeed in their mission with regard to funding attracted by international donors.

What about the collaborative relationship between volunteers and employees? Very good, according to the results. A judgment that holds if, in general, these resources are content to coexist by performing, each on its own, a well-defined task without really performing teamwork. However, the interviews reveal relationships marked by difficulties generated by the diversity of profiles and statuses on the one hand and interpersonal relationships and power on the other. In addition, there are the positions of employees and volunteers in relation to activism and professionalism. This often leads to conflict situations where negotiation is almost never requested as a regulatory tool. Moreover, associations lack this approach, which explains the difficulties in internal management and in relations with partners. Indeed, the instrumentalization of associations by donors is partly due to the absence of a project, but it is also caused by a failure in negotiation.

¹¹ « *Le management associatif : ou comment donner du sens à l'action associative* », report DESA, UFR human resources management and skills engineering, FSE, Mohammed V University, Rabat 2009

The latter position is, moreover, one of the many forms of power that exist at the level of associations, in particular, power linked to expertise, single power (in the person of the president) and informational power (retention of information).

On the other hand, associations are predestined for participatory management, as evidenced by the majority's desire to associate and involve members in the life of the association, through the adoption of parallel structures (committees and commissions) composed of associative members (administrators, volunteers and employees), although the tasks assigned to the commissions highlight a task-oriented (task execution) and a support oriented (assembly, project monitoring, communication) leadership style.

For most associations, the main motivations of elected and volunteer members are, respectively, advocacy, self-realization and skills maintenance. This reflects a constant search for new experiences for volunteers that can give them confidence and self-esteem. For elected officials, this quest is oriented towards the search for fulfilment in order to strengthen the sense of belonging. As for employees, they are motivated by the use, maintenance and skills development.

In addition, the time spent by members on associative work highlights the degree of involvement and motivation of members. Thus, the average is nine hours per week, which indicates interest in associative action and supports our confirmations regarding the profile of members and their motivations.

At one time or another, some associations are obliged to recruit employees, mainly because of the need for resource persons available for specific tasks (administrative management, secretarial and accounting), following a specific programme or as part of a project financed by an NGO. This is why associations require employees to have specific skills in relation to the function they will be assigned. However, the ideal would be to have, in addition, experience in the associative field and to adhere to the values of the association. It is important to note that the lack of financial resources limits the recruitment of employees by employer associations (seven to eight employees per association). This can be a significant constraint for associations wishing to become more professional.

Admittedly, the professionalization of associations requires the recruitment of employees, but training is still a fundamental pillar. Indeed, the majority of associations provide training activities for its members (four to seven times a year) based on the expression of needs by the interested parties (the majority of beneficiaries being the members of the board).

These training courses are structured around various themes, namely communication and technical training related to the field of activity, group dynamics, IT and accounting. Nevertheless, other themes are beginning to be valued, namely project management, participatory approaches, administrative management, strategic planning and partnership building. This reflects both the awareness of the need to become more professional and the evolution of attitudes towards new management approaches that promote excellence and efficiency. It is important to note that training actions are subject to evaluations through round tables or meetings, which is a commendable undertaking. However, this evaluation, so important and necessary, remains difficult to take into consideration in the absence of training engineering and therefore of well-defined training objectives and appropriate indicators.

It appears that despite the efforts made by the associations, the associations are still below expectations. Indeed, the majority of associations have already begun their "upgrading" or, at least, are aware of the need to change in the face of a constantly changing socio-economic environment, which imposes new requirements in terms of professionalization, financing, partnership development... These requirements reflect, precisely, the gaps to be filled to move from one unsatisfactory current situation to another more suitable one.

3. WHICH GOVERNANCE FOR THE ASSOCIATIVE WORLD ?

Leading change at the governance level requires strong involvement from the association's leaders and the commitment of all stakeholders. In this sense, it is important to represent associative governance as the way in which « doing together »¹² is built by reintroducing the project as a structuring modality for the effectiveness of the association.

Towards a well-defined project and mission, motivated and loyal resources, consolidated teams, within the framework of a participatory approach, and federated around a common vision and shared values that promote a sense of belonging, professionalism and communication.

In addition, the modes and instruments of partnership or participatory governance will be able to question in return the partnership governance model that is essential today in large companies, especially at a time when their aims are being extended to social and environmental responsibility. The cognitive approach appears to be fundamental for associations: project mode operation should be based on the skills of the managing members. Indeed, the associative project is an opportunity to create value for the stakeholders involved (associations, philanthropic companies, communities, associative members...). The associative purpose is to remedy social weaknesses.

The solution lies in the principle of shared value, which implies the creation of economic value in a way that also creates value for society by meeting its needs and challenges. Companies must reconnect business success with social progress. «Creating shared value aims to identify and broaden the links between societal and economic progress. The concept is based on the principle that economic and social progress must be treated using value principles.¹³». However, companies have rarely approached societal issues from a value perspective, but have treated them as peripheral issues. As governments and NGOs begin to think more in terms of value, their interest in working with business will inevitably increase..

There is a strong interaction as a stakeholder between the voluntary sector and companies. The competitiveness of a company and the well-being of the communities around it are closely linked. A company needs a thriving community, not only to create demand for its products, but also to

¹² Olivier Meier, Guillaume Schier, « quelles théories et principes d'actions en matière de gouvernance des associations ? » Management Prospective Ed. « Management & Avenir » 2008/6 n° 20 | pages 179 to 198

¹³ Michael E. Porter and Mark R. Kramer, The Big Idea: Creating Shared Value. How to Reinvent Capitalism and Unleash a Wave of Innovation and Growth, Harvard business review 89(1-2):62-77, January 2011

provide essential public assets and an enabling environment. A community needs successful businesses to create jobs and wealth creation opportunities for its citizens.

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