

Management Perspective of Public, Private and NGO Sectors

Dr. Mustaghis-ur-Rahman

SZABIST

Karachi, Pakistan

***Abstract:** Irrespective of the nature of organization, management is essential in order to ensure productivity and effectiveness. The process of management includes setting objectives, designing the methods and creating an environment for the application of designed methods in order to achieve the set objectives. The scope of management greatly varies because of the variations in the nature of organization - private, public and voluntary.*

Both the public and private sectors have a long history of management. The two sectors, on the basis of their distinct nature and role, have chosen different management systems; while the voluntary sector, however, after reaching the identity of the third sector, is still in search of management system of its own. Since NGOs are supposed to be strategic organizations, they face more uncertainty in their environment than any other type of organizations. Besides, there are some distinct characteristics that necessitate distinct management systems for NGOs.

1. INTRODUCTION

One of the important social activities has been 'managing since people began forming groups to achieve their aims and objectives which they could not get as individuals[1].

There are many similarities in managing organizations in the three sectors. There is a need of skilled managers; who can manage resources; work in team; have innovative ideas and leadership qualities; and are able to supplement their abilities with the mission and vision. Public and business sectors are in search of increasing their effectiveness by building staff commitment to mission and values. The same is also needed in the NGO sector. However, the difference in all the three sectors' vision, mission and nature of transaction creates the basis of distinction in management system. Hence, managing the third sector organizations becomes different from managing the business and public sectors. In this paper, the management theories and approaches

of public, private and voluntary sectors are discussed to understand the systems in each sector.

1.1 Management Defined

Management has been defined differently by various management gurus although all definitions lead to the same objective of the subject that is improving efficiency, productivity and creating effectiveness in the organization. John F. Mee defined the subject as, "Management may be defined as the art of securing maximum results with minimum efforts so as to secure maximum prosperity and happiness for both employers and employees and give public the best possible services" [2]. This definition is comprehensive and elaborative, and seemed fit for all three sectors, but later on management scientists contributed more insights by studying the nature and characteristics of organizations. As a result of continuing research in this field, scholars suggest various management approaches that are applied in managing the public, business and NGO sector.

1.2 Public Administration

Public Administration is both an activity and a subject of study or intellectual discipline. As an activity, it is as old as social life. In earlier times, the management of the public concerns was synonymous with that of the private concerns of the head - leader or ruler. Gradually, the formation of government and its operations were accepted as the part of political science and execution of the policies made by the state machinery was considered as subject matter of public administration. Hence, public administration is recognized as an activity, independent of rulers' personal activities [3].

The executive level management of state affairs is referred as public administration in political science. Public means people as a whole, who form government in a country in modern world. Public, in generic term, is a constituency of a government, while

administration is a Latin word, which refers to executive level management. So, public administration can be inferred as management of affairs of a government. Generally, it can be defined as a body of knowledge by which the public policies are executed.

It is often said that although as an activity, public administration has existed in human society from the time immemorial, however, as a branch of study and learning is not very old. It was not until the 19th century, that academic institutions started teaching public administration as a subject [4]. The credit for making public administration as a science goes to Woodrow Wilson, Goodnow, Willoughby, L.D White, Luther Gullick, Max Weber and Henri Fayol, in special, and many public administration scholars in general.

The public administration is defined in different terms. Wilson states, “public administration is detailed and systematic application of law” [5]. Simon is of the view that public administration covers the activities of executive branch of the state; national and local governments [6]. Mc Queen agrees with Simon by stating “It is related to the operation of government whether central or local”. White has defined the subject comprehensively as “Public Administration consists of all those operations having for their purpose, the fulfillment or enforcement of public policies as declared by competent authority” [7]. The above mentioned definitions carry a common theme by entailing that public administration is a subject that covers the functions of the executive branch of state. Pfinner and Merson represent a different school of thought where they have referred public to policies and their implementation being the subject matter of public administration.

In determining the subject matter of public administration, there are three schools of thoughts. The first school of thought is represented by Wilson, Willoughby, White, Gullick, Fayol and Urwick. They are of the view that public administration is a separate activity with its own well-marked field and principles. This discipline covers the execution of public policies and cannot interfere in policy making, the policy making; falls under the subject matter of political science [8]. The second school of thought is represented by Pfinner and Merson. They are of the view that anything like a

complete divorce between the politics and administration is both impracticable and not understandable, because policy and administration are inextricably mixed up and act and react on each other. It is also because administration is an instrument for fulfilling political goals and ends. Independent administrative goals such as economy and efficiency are incomplete, because the question that arises: economy and efficiency for what. This ‘what’ is always responded by the political scientists. The third school of thought emerged out of the theory of need. This school is represented by the public administration scholars like Waldo and Merriam. They believe that the rigid and dogmatic separation between politics and administration should be given up. Recently, it has been recognized that administrative process is permeated with politics-- manipulation of power and formulation of policy [9].

From the above discussion, an important conclusion can be drawn: public administration is the management of executive level of government and, up to some extent; it provides assistance in the policy formulation of the government. This is supported by Dimock who states “public administration is what and how of a Government” and according to Gullick “Public administration is that part of the science of administration which has to do with government” [10]. To have a better understanding of the public administration, or public sector management, can be better understood with its reference to the functions of the state. The states’ functions are to maintain law and order; to protect the life and property of the citizen, ensure the social order; protect the geographical and ideological boundary of the country; operate communication systems; run public enterprises to achieve the objectives of social welfare and economic prosperity of the citizens by providing employment opportunities to them; to promote trade and business and maintain economic prosperity of the people and state; and not with the primary motive of earning profits for the sake of wealth accumulation and capital formation. Thus, public administration is to serve the people primarily on no profit no loss basis and to create surplus out of their operation is secondary and tertiary objective. Any profit made during the process is attributed to the welfare of the people and the development of the state.

1.3 Private (Business) Sector Management

Private sector comprises of privately owned and private business organizations. The primary objective of these organizations is profitability. Unlike the NGO sector they have a different vision and mission. Along with creating surplus, and capital formation, social services and social well being are the secondary and tertiary considerations of the private sector. Hence, these priorities determine the modes and methods of resource mobilization, human resource development, exchange mechanism, management style and organizational culture.

Davis comments that “Management is the function of enterprise which concerns itself with direction and control of the various activities to attain the business objectives” [11]. According to Weichirch and Koontz, “Management is the process of designing and maintaining an environment in which individuals working together in groups efficiently accomplish selected aims” [12]. Mee defines the subject as “Management is an art of securing maximum results with minimum efforts, so as to secure maximum prosperity and happiness for both employers and employees and give people best possible services” [13]. Although the above definitions emphasized that the business sector management is concerned with achieving the goal of a business enterprise, but Mee has clearly mentioned the concept of maximum and minimum. The concept of maximum gain by the minimum efforts and resources refer to efficiency and economy. Efficient organizations have maximum profit which forms the basis of their business; hence efficiency and economy are terms mostly used in the business sector. In public sector, however, due to Weber’s bureaucratic management rules and regulations and chain of command are the priorities in operation, profitability is secondary consideration. In business sector, scientific management, modern operational management theory, behavioral management and system theory have provided significant contributions to the development of business management.

2. NGO MANAGEMENT

NGO Management is a recent phenomenon. Over the last two decades NGO sector has been trying to design a distinct management system from the management of private and public

organizations [14]. In the last ten years significant amount of training materials and manuals have been produced by NGOs. At the international levels ANGO in Asia, IRED (the third world NDGO task force) in Latin America and the NGO Management Network and ICVA are publishing articles and organizing seminars and workshops on the subject. Numerous NGO federations are also debating the concepts at various forums.

NGO Management definitions have been rare—the concept of general management still prevails in the sector.

Campbell says “Management emphasizes the concept of working with and through others and making effective use of the available resources in order to achieve the organization’s goals and objectives” [15]. To synergize it into the NGO sector the definition can be further elaborated as “NGO management is forecasting with shared vision, planning strategically, operating professionally and leading people friendly” [16].

The contributions of some eminent writers like Hudson, Handy, Drucker, Brown, Korten, Salamon, Smillie, Hailey and Campbell in their efforts to find a solution to the management crisis in NGO sector are significant. As a result of the continued research in the field, initial works in NGO management can be classified into the following three branches:

- 2.1 Trial and Error Practices
- 2.2 Strategic Management
- 2.3 NGO Management Models

2.1 Trial and Error Practices

In many ways, NGO management is far more complex than managing for-profit organizations. In for-profit organizations, the profit or loss yielding measures are considered as their success or failure. Business tactics, diplomacy and cutthroat competitions are some techniques used to make organizations more efficient and productive. NGOs all over South Asia have managed their organizational affairs through a process of ‘learning by doing.’

The basic difference between the two sectors’ management is that the NGOs management, with or without defining, takes a human line, while the for-profit organizations

prioritize the level of profit as a result in operation.

So far, NGOs in South Asia are encountering the problems of overall organizational management, which include all the components of the organization, such as human resource; financial management; information; networking; resource management; and operations management. To cope with these management problems, NGOs are heavily dependent on the corporate sector management which, most of the time, negates the values of third sector. NGOs are also taking disciplinary actions against the poor performance of their employees as corporate sector does.

2.2 Strategic Management

Hudson is one of the advocates who are of the view that NGO management shall be on the basis of strategic management. Strategic management is a relationship between the organization and its environment. In strategic management, organization goes through an adaptive cycle to adjust to the environment in which it operates. The degree of adaptation depends upon the understanding of environmental conditions and appropriateness of their decisions concerning how the organization will cope with these conditions.

In recent years, management experts have developed numerous ideas to help people understand organizations and manage them more effectively. The strategic planning society alone recognizes 200 strategic management concepts. Some of these important ideas are: management by objectives, critical success factors, zero-base budgeting, scenario planning, total quality management, corporate culture, business process reengineering, catastrophe theory etc [17].

Strategic management thinking ultimately found its way into developmental administration/social sector as means were sought to make the best use of scarce resources. Whereas strategic management analysis has been a valuable tool for public and private managers in the west, it has not proven so useful when applied to developmental or voluntary activities.

2.3 NGO Management Models

Various institutions are working on the management of NGO sector. Some management models have been developed and documented. The researchers and NGO managers are still viewing these models as theoretical proposition and these models are evolving and yet to be adapted in management literature. The four management models are discussed below:

- 2.3.1 Hudson's Strategic Management Process Model
- 2.3.2 The Chakra Model
- 2.3.3 MAT Sections
- 2.3.4 Campbell's Simplified and Complex Management Model

2.3.1 Hudson's Strategic Management Process Model

This management model is based on three aspects, how objectives and corporate strategies are created and used; how service strategies and operational plans are devised; and how performance is measured and managed.

Hudson believes that practically a coherent philosophy for managing strategy in third sector organizations can be derived from the core concepts of vision, mission, objectives, strategies and performance management. When these core concepts are linked up into an overview, the management model for third sector is designed.

The strategic management process model moves under the broader outlines of the core concepts as follows:

- The vision: what specifically our organization wants to achieve in the next few years
- The mission: how should we allocate resources among different objectives
- The objectives: what quality standards should we want to achieve
- The strategies: what have we learned from past experiences
- Performance Management: what improvements are required to enable us to make better use of our resources

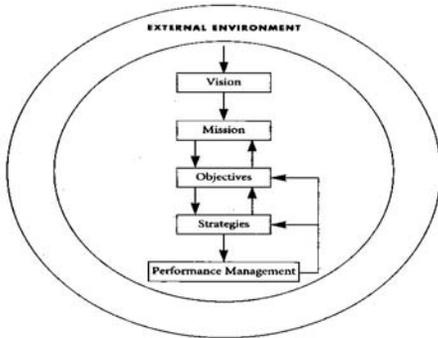


Figure 1: Mike Hudson's Strategic Management Process Model

Source: Mike Hudson, *Managing without profit*, 1995

Benefits of the Process Model

The benefits of this management model are as follows:

- Everyone becomes clearer about his or her objectives and how they fit into the wider task of the organization as a whole
- It leads to more effective use of resources
- It is an ideal way of building contract and motivation
- Diverse constituencies can be brought together around a common purpose

2.3.2 The Chakra Model

The AIT NGDO Consortium developed the Chakra model. It was designed as a management system basically for Non-Governmental Development Organizations (NGDOs). The word *Chakra* means cycle or roundabout in *Sanskrit*. The model comprises five circles with a core, providing a framework for organizational management.

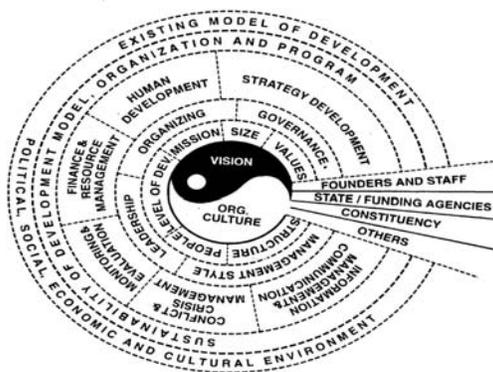


Figure 2: Chakra Model

Source: AIT NGDO Consortium, *NGDO Management Development Training Management-OA Module*, 1996.

• **The Core**

The Core content of organizational culture is vision, as organizational culture plays an important role in motivating staff and guaranteeing commitment. A vision is a description of the future situation, which an organization aims for. A vision can be a powerful motivator and inspirer to the people in the organization.

• **Circles**

The first circle shows the characteristics of NGDOs as organization and covers values, level of development, structure, mission, people and size. The second circle is about management approach; it includes management style, governance, leadership and organization. The third circle includes key management responsibilities as conflict and crisis management, finance and resource management, information management and communication, monitoring and evaluation, human development, and strategy development. The fourth circle designs the general and financial sustainability. The fifth and outer most circle covers external environment and includes existing model of development: political, social, economic and cultural environment.

2.3.3 The MAT Model

Management Assessment Tools (MAT), is designed for the management assessment of an organization. Three related subjects are covered in MAT sections. The entire section is in a shape of circle. The upper and bigger part of the circle is about organizational management, while the lower part is for project management, and a small chunk of the circle is for the management of community relations and resource development. The organizational management section can be taken as a model of management of NGOs.

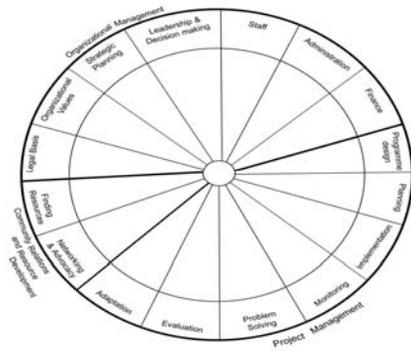


Figure 3: The MAT Sections
 Source: INTRAC, *Organizational Assessment of Southern NGOs, Brighton UK, 14- 18 October 1996,*

The organizational management in MAT section covers seven important sections of an organization, Legal base; organizational values; strategic planning; leadership and decision making; staff; administration and finance.

Legal

Base

The legal aspect of the organization should be strengthened by its registration and it should have written bylaws according to which the functions should be carried on.

Organizational Values

A manager should ensure that the values must be written down and these should be easily accessible to the stakeholders. Further, when the project is designed, it should reflect the values of organization.

Strategic Planning

A manager, should have a written mission statement explaining the purpose of organization; how the stated mission is translated into goals, and how the goals are achieved.

Leadership and Decision-Making

Leadership and decision-making involves the staff. A manager initiates the activities, trains and motivates staff, and encourages teamwork. The manager should have monitoring and evaluation role as well.

Staffing

Staffing means how the recruitment is done, what training programs the organization has and how a manager tries to make the best use of the skills of the people; how the staff is motivated for greater commitment and how they are evaluated and compensated.

Administration

Administration includes day to day record keeping, project documentation, reporting, inventory maintenance, procurement and maintenance of equipment, and transportation. The organization should have explicit methods of rectification, along with performance appraisal.

Finance

Financial management includes maintenance of records and reports for budget, and preparation of cumulative income and expenditure reports on a monthly basis.

2.3.4 Campbell's Simplified and Complex Management Models

According to Campbell the basic aim of the two models is:

- To integrate the organization in society
- To obtain the necessary resources (people, materials, finance etc)
- To ensure effective and appropriate programs
- To define and get commitment to the organization's mission (including its values and philosophy)
- To carry out the normal management functions in order to transfer the resources into progress

The simplified model states that the development programs should be for the society and that the society approves the programs and provides resources. These resources will lead to the organization and the organization will further design the programs for the well being of the society, and this cycle keeps going. In this model, the governance role has been delegated to the society. The members of the society,

according to their aspirations, design the mission which will be carried out by the organization.

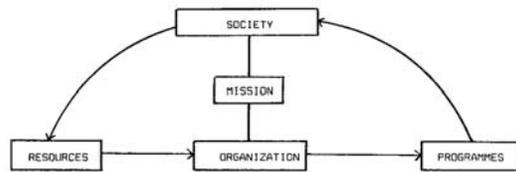


Figure 4: Simplified Model
 Source: Asian NGO Coalition, ICVA, *NGO management development and Training: Recent Experiences and Future Possibilities, Report on a Seminar for Southeast Asia, 1987.*

The complex model is an extension of the simplified model. This model starts from programs to beneficiaries and from beneficiaries to the society. The society divides into three components: constituency, donors and government. These three components provide resources and that are managed by the management process. However, the management process is influenced by the mission and management culture. It is under the influence of the above that the organizational foundations develop.

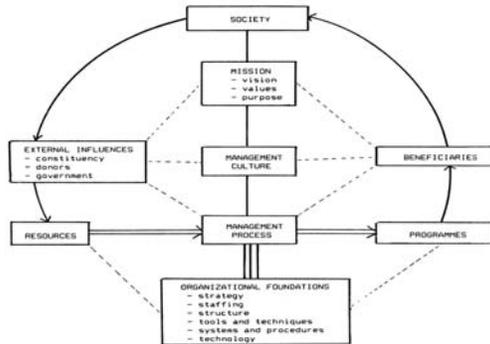


Figure 5: Complex Model
 Source: Asian NGO Coalition, ICVA, *NGO management development and Training: Recent Experiences and Future Possibilities, Report on a Seminar for Southeast Asia, 1987.*

3. DIFFERENCE BETWEEN THE THREE SECTORS' MANAGEMENT

The above discussion summarizes various approaches and thoughts on the management systems of the three sectors. The public sector has adopted the bureaucratic model, while the private sector finds suitable management thought

of scientific and the modern operational approach. The NGO sector, to some extent, has tried the strategic management, general principles of management and a mix of other management systems but they have yet to find an applied system that resolves their management issues. The differences between the management of the three sectors are based on the following factors: external environment; primary concern; implicit organization; coordination mechanism; enforcement mechanism and symbol of organization

3.1 External environment

External environment generally includes political, economic, social, technological and legal forces. These elements of external environment influence the organizations' internal environment: culture, mission and working styles generally, but they are of special importance for NGOs. In relation to an NGO, besides the abovementioned elements of external environments, poverty, government, donors and communities have a special impact. The same additional elements play crucial role in making the difference of the organizational culture, mission and working methodology. Although, as a general element of environment. Political force apparently seems covering the special element of government but 'government' as an external environment should be seen in different perspective. In NGOs' perspective, it is controlling authority as well as a competitor. In the capacity of controlling authority, the government regulates the NGOs to have control over the sector as a whole. The NGOs face uncertain and volatile regulatory environment in the event of change of the government, especially in South Asian context [18]. The government considers NGOs as her competitors in social development, because it is the government who assumes the responsibility of social development. The NGO sector exists with a vision of social development. Despite constrained resources, NGOs have proved effective in achieving their objectives of social development at micro level. Therefore, the government is envious and in some cases hostile to the NGOs' competency and greater acceptability.

The government has influences on private sector but in a different way. Similarly, poverty seems covered in the general economic

environment, in fact, it is not because, poverty from NGOs perspective, is deprivation. According to Chambers, deprivation is poverty proper (lack of income and assets); physical weakness (under-nutrition, sickness, disability, lack of strength); isolation (ignorance, illiteracy, lack of access to government services, remote location); vulnerability (to contingencies, to becoming poorer); and powerlessness [19]. The business sector has no role in tackling the poverty or deprivation issue, while government programs tackle these by varying degrees but vulnerability and powerlessness are neglected comparatively, because, the members of elites do not find in their interest to work on vulnerability and powerlessness. Working on physical weakness, isolation and poverty are more acceptable because they are more measurable, tangible and of social and political importance. Hence, the NGOs alone have to work on the vulnerability and powerlessness along with other components of poverty. Therefore, the elements of poverty have a special effect on NGOs in the external environment.

‘Donor’ as a special environment is unique: no other sector depends heavily on local or foreign donors and donors’ funding. However, to run a program on donated fund is not without cost: the donors; priorities, organizations’ vision, documentation demand of the activities, and governments’ regulatory frameworks throughout SAARC members are big targets to meet. The general external factors and special factors influence the NGOs differently as to other sectors.

3.2 Primary Concern

Primary concern of the three sectors is also one of the bases of difference between the NGO and the other sector’s management. The primary concern of the NGO sector is actualization of social vision; public sector’s primary concern is preserving social order, while business sectors’ is to produce goods and services [20].

3.3 Implicit Organization

The implicit organization of NGO sector is clan/ community; for public sector it is hierarchy and for the private sector it is market.

3.4 Coordination Mechanism

The NGO sector coordination mechanism is shared values, while the public and private sectors’ coordination mechanisms are authority and coercion and negotiated exchange respectively .

3.5 Enforcement Mechanism

In the NGO sector, the enforcement of the rules is through the sense of moral obligation and professional ethics while in public sector the enforcement of law is done by supervision and rules. On the other hand, in business sector enforcement mechanism is contracts and reciprocity [21].

3.6 Symbol of Organization

The symbol of organization also differentiates the three sectors vividly. An NGO is symbolized as church; public organization is like an army while a business organization is corporation [22].

4. CONCLUSION

Management academics and practitioners have developed distinct thoughts and approaches to emphasize their own viewpoints on the management of the three sectors. All thoughts, approaches and resulting definitions have been presented with a view to improve the management practices, and increase the economy, efficiency, productivity and effectiveness of an organization.

Private organizations give importance to creating surplus. Hence, they adopt scientific management practices, modern operational management approach and some parts of behavioral sciences. While public organizations who have adopted the bureaucratic management system have the prime responsibility to serve their constituency and self-support, create surplus as a secondary and tertiary propositions. At a later stage, the voluntary sector got recognition by the society and state as third sector, started a search of its own management system. Along with other management models suggested by different NGO activists and academicians, the strategic management has also been tried for the resolution of management issues in this sector.

Since NGOs are supposed to be strategic organizations, they face more uncertainty in their environment than any other type of organizations. Such organizations exist to satisfy those human needs left unfulfilled by other social, economic and political institutions. There are certain environments surrounding the NGOs which influence the culture of the organizations in different ways than those influencing business and public sector. Changes in a voluntary organization's environment may deprive it of its reason for existence or create new needs, for which it is not equipped. Failure to adapt the changing environment leaves organization irrelevant and useless. The application of strategic management could not prove suitable for the development sector due to some important reasons. Most importantly, NGO managers/ practitioners have failed to acknowledge the primacy of the political aspects of the environment presented by a developing country. Further more, strategic management has been applied most often to official undertakings, ignoring the many and diverse efforts of voluntary organizations.

Despite the need for specific management system and approaches in the NGOs sector, the rejection of the basics of management, such as, managerial functions, skills and roles are out of question. However, there is a need to focus on the constituencies, vision, mission, culture and management styles of the organizations while designing the principles and model of management for NGO sector.

REFERENCES

- [1] Wehrich Heinz, Koontz Harold, 1993, *Management: Science, theory and Practice, Management – A Global Perspective*, McGraw Hill Inc, New York, p-4
- [2] Sharma, M.P, Sadana, B.L. 1989, 'Methodology of Public Administration and its Relation to other Sciences', *Public Administration in Theory and Practice*, Kitab Mahal, Allahabad, India, p-46
- [3] *Ibid*, p-53
- [4] Shaikh, Muhammad Hassan. 1996, 'Rise of the Study of Public Administration', *Public Administration Theory and Practice*, Kifayat Academy, Karachi, p-2
- [5] Sharma, M.P, Sadana, B.L. Op.cit, p-25
- [6] Tyagi, 1967, *Introduction*, 'Public Administration in Indian Perspective', Kitab Mahal, Delhi, p-7
- [7] Shaikh, Muhammad Hassan. Op.cit, p-25
- [8] *Ibid* p-18
- [9] Henry, Nicholas 1998, *Public administration and Public Affairs*, Prentice Hall Pvt Ltd, New Delhi, India, p-32
- [10] Tyagi, 1967, Op.cit, p-10
- [11] Ahmad, Khalique, Ahmad, Shamim, 1998, *Effective Management*, APH Publishing Corporation, New Delhi, p-12
- [12] Wehrich, Heinz and Koontz, Harold. 1993. Op.cit, p-4
- [13] Sharma, M.P, Sadana, B.L. 1989, Op.cit
- [14] Rahman Mustaghis, 2004, Management 'Perspective of Public, Private & NGO Sectors', *Management of NGOs: A Case Study in SAARC Countries*, UoK, p-120 (PhD Dissertation)
- [15] AIT NGDO Consortium, 1995, *NGDO Management Development Training Management-OA Module*, p-2
- [16] Rahman Mustaghis, 2004, p-148
- [17] Hudson, Mike, 1995, 'Strengthening Strategic Management', *Managing Without Profit* p-93
- [18] Smillie, Ian, Hailey, John, 2001, 'A Dangerous Sea: Managing the External Environment', *Managing Change*, Oxford University Press, Karachi, p-18

- [19] Chamber, Robert. 1998, *Poverty in India: Concepts, Research and Reality*, IDS Discussion Paper No. 241, Sussex, p-8
- [20] Brown, L. David and Korten David C, (September) 1998, *Understanding Voluntary Organizations, Guidelines for Donors*, Public Sector Management and Private Sector Development Division, World Bank, Washington, p-5
- [21] *Ibid*, p-9
- [22] *Ibid*, p-10