Impact of Vision, Strategy, and Human Resource on Nonprofit Organization Service Performance

Kun-Hsi Liao*a, I-Shung Huangb

aDepartment of Product Development and Design, Taiwan Shoufu University, Taiwan, No. 168, Nanshi Li, Madou, District, Tainan City 72153, Taiwan (R.O.C.)
bInstitute of Industrial Management, Taiwan Shoufu University, Taiwan, No. 168, Nanshi Li, Madou, District, Tainan City 72153, Taiwan (R.O.C.)

Abstract

Non-profit Organizations (NPOs) have become a third party of concatenation with government, and business community. Numerous NPOs involved mostly their activities in cross-organizational cooperation with the governments and the private enterprises. However, due to the ambiguous marketing and vague organizations’ vision, NPOs faced challenges in accessing more funds. This study explores the causal relationships among of organizational vision, management strategies, and human resource management on NPOs’ service performance in order to discover the reasonable management methods. This study combined the interview and structural relationship method (SEM) to explore the relationships of vision, strategies, human resource and service performance on NPO management. A total of 529 participants from five NPOs volunteered to participate in the study. All of them are employees whose works are related to foreign affairs. Questionnaires were used to collect the quantitative data, and AMOS software was used for the SEM analysis. Interview results showed that because of the limitation of funds, NPOs must maintain their excellent quality in services, and in advance, focus on maintaining the best public image to get additional funds from the government and other enterprises. Internally, they must focus on the management efficiency and make innovative business strategies to ensure a good impression. For human resource management, based on the different characteristics and willingness of employees in jobs, NPOs should assign suitable works for individuals in order to keep the organization’s morale and coherence. Furthermore, based on the SEM, the organization’s vision has a positive significant impact on management strategies, and management strategies have a positive significant impact on human resource management. However, the vision, strategies and human resources have no noticeable influence on service performance in NPOs.

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* Corresponding author. Tel.: +8-866-571-8888-756.
E-mail address: liaokunh@gmail.com
1. Introduction

A nonprofit organization (NPO) is a group that supports causes of public concern on a not-for-profit basis, typically in the arts, charity, education, politics, public policy, religious issues, scholarship, and the environment. They serve to fill the gaps between social needs and government supplies (Anthony and Young, 1993). The nonprofit organization concept originated in the United States. The main objective of NPOs is to provide the services that neither the public nor private sector can provide. However, NPOs have recently grown due to rapid economic development and social change as well as the public’s increasing dissatisfaction with the social welfare provided by governments.

Drucker (1990) pointed out that NPOs have become a major social trend and are now the third sector of concatenation, along with government (the first sector) and general industry (the second), highlighting NPOs’ importance. However, NPOs’ ambiguous market segmentation and vague development position have created a crowding-out effect. Obtaining staff and accessing funds in order to operate and grow has become a major challenge for NPOs. Meanwhile, improved living standards have raised public expectations of NPOs’ managerial performance and customer satisfaction (Winand et al., 2013). The peer competition, funding shortfall, and sustainable resource management issues that NPOs must face have also challenged their management. The impacts of these challenges on NPOs have compromised their delivery of important social services as well as their operational effectiveness and efficiency. Thus, NPOs need managerial concepts that will lead to implementation strategies for achieving their objectives.

Recent NPO management theories have been drawn from traditional industrial or business fields and applied almost mechanically. Whether theories drawn from for-profit fields can be applied to the management of non-profit organizations is arguable. This study determines the best management procedures for NPOs, specifically those working in foreign affairs, by investigating the effects of organizational vision, business strategy, and human resource management on NPOs’ managerial performance. The findings are expected to have practical implications and drive future research.

2. Literature review

2.1. Managing performance in NPOs

The performance of an NPO’s management will affect not only its survival but also its donations. Therefore, improving NPOs’ performance and service quality has become a crucial task. As in a business, an NPO’s operations are required to produce benefits; however, NPOs depend on their service partners and service content for the generation of results, which is generally regarded as their main characteristic (Aviv et al., 2006). Bush (1992) contended that NPOs can find more appropriate administrative values in the traditions of the voluntary sector than in the competition-based management approach inherent in private sector administrative theory and practice. As NPOs are legally and ethically constrained from assigning their revenues to their owners or shareholders, NPOs are simultaneously independent, public, and private. Thus, for-profit organizations and NPOs differ in the way they manage themselves.

Many scholars have indicated that NPO effectiveness is multidimensional and irreducible to a single measure (Herman and Renz, 1999; Sowa et al., 2004; Perkins and Fields, 2010). Baruch and Ramalho (2006) measured organizational outcomes, commonly reported as either organizational effectiveness or organizational performance (OEP). Venkatraman and Ramanujam (1986) divided organizational performance into three main categories: financial performance, task performance, and organizational effectiveness. In their results, a proposed set of multidimensional and universal criteria for measuring NPO performance was accepted as valid. This study uses their proposed organizational performance model to investigate NPOs’ performance outcomes.

2.2. Shared organizational vision in NPOs

Vision is an organizational aim that guides strategy, policies, and tasks; it is also a key source of cultural formation and sustainable management. Vision plays a crucial role in an enterprise’s development, acting as a bright
light directing the business towards its mission. McDonald (2007) indicated that an NPO’s mission can facilitate innovation, which has been shown to be a key mediating step towards achieving superior organizational performance; organizational performance is in turn related to vision. Jagersma (2003) found that vision and strategy are correlated and that a clarified vision helps foster business strategy. Thus, the extent to which organizational members support and understand the organization’s vision is a key factor affecting performance (Balduck et al., 2010; James and Lahti 2011).

Vision usually consists of two dimensions—leadership philosophy and specific impression. The philosophy (both personal and organizational) and impression are usually given by the firm’s founder and form the cornerstone of management’s direction and methods (Collins and Porras, 1991). The impression is the organization’s mission as displayed to others. Rowe et al. (1994) pointed out that the leader’s faith, leadership values, and the values of the corporate culture were the three basic factors affecting the creation of visions. An organization’s vision is related to the beliefs and values of its leader and of the enterprise. The visions adopted by NPOs influence their strategic development and performances (Balduck et al., 2010). It is important to carefully explore how their visions affect organizations’ performance. This study seeks to understand the extent of employees’ recognition of their organization’s visions by considering the beliefs and values of the business leaders and the company’s values as forming the core of the vision and evaluating whether the company’s vision is consistent with the staff’s views.

2.3. Management strategy in NPOs

All organizations benefit from committing themselves to a strategy that describes the value the organization intends to produce, the means it will use to produce that value, and how it will sustain itself. The most well-developed and widely used models for developing organizational strategies come from the private sector (Chang and Flores, 1980; Miller and Dess, 1996; Moore, 2000; Liu et al., 2014). Brown and Iverson (2004) claimed that the conceptual understanding of management strategy in NPOs is becoming more sophisticated to better reflect their unique character. Organizational strategies ensure the survival of NPOs and are closely related to their organization performance. Few organizational strategies have been proposed for NPOs. Of these, an alternative strategy model developed for use in government organizations focuses on three key issues: the public value to be created, the sources of legitimacy and support for the organization, and the operational capacity for delivering value. This alternative strategy model seems to resonate powerfully with the experience of NPO managers because it focuses attention on social purpose and on ways for society to be mobilized to contribute to social purposes rather than on financial objectives such as selling products and services (Moore, 2000). Camarero and Garrido (2009) focused on museums and arts organizations to analyze the role of three alternative strategic orientations (i.e., customer, sales, and custodial) in improving social performance (in education and conservation) and economic performance (in terms of income and number of visitors) for 182 Spanish museums. They revealed that social performance was highly related to custodial and customer orientation, whereas economic performance depends mainly on sales orientation. Nonprofit human service organizations need to develop a strategy that emphasizes the unique value-driven dimension of their programs (Porter, 1985; Frumkin, and Alice, 2000). The uniqueness of NPOs’ human services is an asset in an increasingly competitive environment. Thus, differentiation and uniqueness are key elements of an NPO management’s strategy.

Porter (1985) proposed a general competition strategy model that can be divided into three main categories: overall cost leadership, differentiation, and focus. The model proposes that there is no need to follow the industry crowd in the provision of services. This model has been used by for-profit organizations for several years. In examining the relationship between strategy and organizational performance, this study applied Porter’s proposed management strategy model—considering overall cost leadership, differentiation, and focus as the main variables—to investigate how NPOs can capture and fully use their internal and external resources.

2.4. Human resource management in NPOs

Human resources are the human capital used in an organization, and human resource management (HRM) refers to how that human capital is used. Snell and Dean (1992) defined human resources as the manpower possessing
knowledge, skills, experience, and economic value in an organization. Noe et al. (2008) defined human resources management as the policies, actions, and systems that influence employees’ behavior, attitudes, and performance. Drucker (1990) pointed out that the most important investments are no longer those in machines, buildings, land, or equipment but those in people and knowledge. Human resources are tangible and valuable assets. Seeking the most effective managerial techniques has become fashionable in business. All human resource management activities should be carried out under the premise that they can strengthen organizational performance as a whole (Chang et al., 2015; Ohana et al., 2013). Jean (2011) pointed out that the successful execution of HRM requires selection, employment, education, promotion, and sustainable human talent processes. Human resource management also plays an important role in providing better management for NPOs, yet little is known about what influences their human resource practices (Ridder and McCandless, 2010).

Following its literature review, this study uses five managerial talent steps—selection, employment, education, promotion, and sustainability—as the main variables in NPO performance and explores how the organization’s vision and business strategy influence it.

3. Methodology

This study examines the relationship among vision, strategy, human resources, and organization service performance using a questionnaire for data collection. The structural relationship method (SEM) and SPSS 17.0 statistical software were used to analyze the data. The methodology is described below.

3.1. Conceptual model and hypotheses

This study proposes a conceptual model for the relationship among vision, strategy, human resource, and organization service performance. The study addresses the following question:

(1) What are the causal relationships among vision, strategy, human resources, and organization service performance in Taiwanese NPOs?
(2) This study’s hypotheses are as follows:
   H1: An organization’s vision is correlated with its service performance.
   H2: An organization’s strategy is correlated with its service performance.
   H3: Human resource management is correlated with an organization’s service performance.

The model of the causal relationships among vision, strategy, human resources, and organization service performance is presented in Fig.1.

![Fig.1. Structural framework model.](image)

This paper proposes a structural framework (see Fig.1) for the causality among vision, strategy, human resources, and organization service performance. The framework explores the relationships among four latent and 14 observed variables. The four latent variables are organization service performance (Osp), vision (Vis), strategy (Str), and human resources (Hum). The 14 observed variables are leader’s faith (FAI), leadership values (VAL), corporate culture (CUL), overall cost leadership (COS), differentiation (DIF), focus (FOC), selection (SEL),
employment (EMP), education (EDU), promotion (PRO), sustainability (SUS), financial performance (FIN), task performance (TAS), and organizational effectiveness (ORG). The framework assumes that vision influences strategy directly and human resource organization service performance indirectly through their effects on strategy and human resources. Moreover, strategy influences organization service performance and human resources then directly influences organization service performance.

3.2. Sample and data collection

A linear structural relationships (LISREL) test was conducted on 529 samples drawn from five NPO employees working in foreign affairs who volunteered to participate in the study. Samples were selected by random sampling. A questionnaire was used to collect the quantitative data, and LISREL 8.6 statistic software was used for the SEM analysis (Krejcie and Morgan, 1970; Jöreskog and Sörbom, 1993). The research indicators were verified by confirmatory factor analysis and standardized factor loading (Hair et al., 2006; Ghozali, 2008). The questionnaire had five sections on vision, strategy, human resources, organization service performance, and subject information. The main goal of the questionnaire was to understand the overall service experience of the five NPO employees. The questionnaire consisted of 35 items: eight on vision, eight on strategy, 10 on human resources, four on organization service performance, and five on subject information. All items were designed by the author according to operational definitions found in the literature.

3.3. Data analysis

The data analysis used SPSS 13.0 and LISREL 8.6 statistical software. The analyzed contents were categorized into subject information, reliability, validity, correlation, and LISREL model testing. The reliability of the questionnaire was tested by Cronbach’s alpha (α) to judge the consistency of the items. The items’ content validity was also tested by construct validity (CR). The subject information included the distribution among the subjects’ gender, age, academic credentials, average income, and service experience with the five NPOs.

4. Results and discussion

4.1. Subject information

A total of 529 completed questionnaires were eligible for processing. The participants were invited from five non-profit organizations in Taiwan. The subject information comprised the subjects’ demography and basic descriptive statistics, including gender, age, academic credentials, average income, and service experience. The total number of samples was 529 (179 male and 350 female). Most participants were between 25 and 36 years old (282 participants, or 53.31% of the sample), followed by those between 36 and 45 (132, or 24.95%). In terms of academic credentials, most were undergraduate level (257, or 48.58%), followed by junior college level (151, or 28.54%). Most participants had an average income of 20,001 to 40,000 NT dollars per month (430, or 81.29%), followed by those with less than 20,000 NT dollars (57, or 10.78%). Most had two to five years of service experience (258, or 48.77%), followed by those with six to nine years (202, 38.19%). The sample’s distribution in terms of gender, age, and academic credentials was fairly balanced. The data were thus deemed suitable for use in the linear structural relation model testing.

4.2. Reliability and validity

The reliability coefficients for the internal consistency of the four sections—vision, strategy, human resources, and organization service performance—were 0.786, 0.771, 0.776, and 0.796, respectively, all higher than 0.700 and thus indicating excellent reliability (Nunnally, 1967). Construct validity (CR) was used to determine the items’ validity. Both the independent and latent dependent variables were tested. The CRs of vision, strategy, human resource, and organization service performance were 0.650, 0.700, 0.728, and 0.820, respectively (CR > 0.50), an acceptable result.
4.3. Correlations

Correlation analysis through Pearson’s correlation coefficient was used to illustrate the relevant relationships among vision, strategy, human resource, and organization service performance. All correlation coefficients are shown in Table 1. The correlation coefficient of vision and organization service performance was 0.210 (p < 0.01), showing the two factors to be positively related and confirming H1. The most relevant correlation is that between vision and strategy, the coefficient of which is 0.621. This high correlation is inconsistent with previous research (Jagersma, 2003). The correlation coefficient of strategy and organization service performance was 0.220 (p < 0.01), showing the two factors to be positively related and thus confirming H2. This high correlation is inconsistent with previous research (Camarero and Garrido, 2009). The correlation coefficient of human resource and organization service performance was 0.039 (p > 0.05), showing the two factors to be positively related but not significantly. Thus, H3 was not confirmed. Therefore, two of the study’s hypotheses, H1 and H2, are confirmed.

<table>
<thead>
<tr>
<th>Vision</th>
<th>Strategy</th>
<th>Human resource</th>
<th>Organization service performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vision</td>
<td>1.000</td>
<td>0.082</td>
<td>0.210**</td>
</tr>
<tr>
<td>Strategy</td>
<td>0.621**</td>
<td>0.069</td>
<td>0.220**</td>
</tr>
<tr>
<td>Human resource</td>
<td>0.039</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Organization service performance</td>
<td>0.539</td>
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Note: ** p < 0.01.

The above correlation analysis found that vision and organization service performance are significantly related and thus that vision plays an important role in organization service performance implementation. Applying their vision is therefore crucial to NPOs’ service performance success in Taiwan. This result is broadly in line with previous studies (McDonald, 2007; Balduck et al., 2010; Chen et al., 2013). Strategy is also positively correlated with organizational service performance, a result also broadly consistent with the research (Moore, 2000; Skloot, 2000; Camarero and Garrido, 2009).

4.4. LISREL measurement model test

A LISREL measurement model test using structural equation modeling (SEM) was employed to identify the model fit and explore the relationships among vision, strategy, human resource, and organization service performance. Night preliminary test models were used to identify the optimal model. As Fig. 2 shows, with its low $\chi^2/df$ (1.30) and high p-value (0.0566), the model was shown to be optimal.

Fig. 2. The output of the optimal model
The outputs of Model’s test, including the overall and internal estimates, are the following. The variables’ $t$-values and estimates such as the chi-square, degree of freedom ($df$), $p$-value, and root mean square error of approximation (RMSEA) indicate the model-fit indices of the overall and internal model test. This Model’s chi-square ($\chi^2 = 81.72$ with 63 degrees of freedom ($p = .0566$) and RMSEA = 0.023) confirms that the data fit the overall model satisfactorily. The output estimates are as follows. The absolute fit indices (chi-square = 81.72, $\chi^2/df = 1.30$, $p = 0.0566$, GFI = 0.978, and AGFI = 0.964) show that all data fit the fitness criteria. The incremental fit indices (NFI = 0.972, NNFI = 0.990, and CFI = 0.993) show that all data fit the fitness criteria. The parsimony fit indices (PNFI = 0.673, and RMSEA = 0.023) show that all data fit the fitness criteria. All estimates ranged within a reasonable scope (Bagozzi and Youjae 1988; Hair, et al. 2010). The LISREL testing thus demonstrated that the collected data fit the measurement model satisfactorily.

4.5. The internal structure model-fitting test

The results of the internal structure model-fitting test are as follows. The outputs can be expressed by the parameter estimates and $t$-values. The parameters’ Gamma ($\gamma$) expresses the relationships between the latent variables. The parameters’ Lambda ($\lambda_s$) and Lambda ($\lambda_v$) express the relationships between the latent and observed variables. Nearly all the parameter coefficients of the standardized solutions fit the indices. All the error covariance were positive, the $t$-values of the error covariance were significant, and all the estimated parameters were larger than 2.58 ($p < 0.01$), except $\text{Vis} \rightarrow \text{Hum}$, $\text{Vis} \rightarrow \text{Osp}$, and $\text{Str} \rightarrow \text{Osp}$. Thus, the internal structure model fit the data reasonably well.

These results, as well as the theory proposed by Porter (in the competition strategy model) in 1985, indicate that emphasizing a strategy of uniqueness in nonprofit human services would be advantageous in an increasingly competitive environment. We discuss the relevance of these findings and their contribution to future NPO research below.

5. Conclusion

The findings of this study show that vision and strategy positively affect NPOs’ service performance, consistent with the literature (Jaggers, 2003; McDonald, 2007; Camarero and Garrido, 2009; Balduck et al., 2010; Chen et al., 2013). This study demonstrates that vision can be used to generate excellent relationships with service performance and thus create a consumer preference for NPOs and drive service incomes. Understanding vision and strategy will help NPOs enhance their performance. Maintaining an excellent vision has a positive effect on strategy building and service performance. These findings contradict the theory that strategy must be persistent for NPOs to secure long-term business relationships. However, the effect of human resources on service performance is positive but non-significant, perhaps because human resource plays a moderating role that reduces its influence or because NPO employees working in foreign affairs do not have enough time to participate in service performance execution.

References


