Management practices of Third Sector Organisations (TSOs) in Karnataka

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Authors' contributions

This work was carried out in collaboration among all authors. All authors read and approved the final manuscript.

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ABSTRACT

The third sector comprises charities, social enterprises, and voluntary groups supporting the community at a local level. The study focused on the management practices of TSOs. In all, the total number of Third Sector Organizations selected for the study from the Kolar, Chikkaballapur, and Tumkur districts was 30. The sample consists of different types of TSOs which include Non-Governmental Organisations (NGOs), Self-Help Groups (SHGs) & Primary level cooperatives, and also the primary data was collected from 30 TSOs. To achieve the specific objectives of the study, descriptive statistics including percentages were used to find out how TSOs are following management practices for their organizational development. The study found that they are good in terms of planning which includes efficiency and proper resource management, effective service delivery, responsiveness to the target community, implementation, and control of activity, among others. Strategy development indicates the extent to which certain features/aspects pertaining to the strategy development approaches characterize the strategy development practices in their organizations. Motivation plays a vital influencing factor towards managers and workers to increase effectiveness. Staff management to understand how the TSOs manage their human resources. Financial management is necessary for reporting purposes are prepared at the end of each financial year and bookkeeping is one of the key indicators to measure the performance of the organization there is a need to more focus on up-to-date records maintenance.

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1. INTRODUCTION

The third sector is an umbrella term that covers a range of different organizations with different structures and purposes, belonging neither to the public sector (i.e., the state) nor to the private sector (profit-making private enterprise). Further, TSOs also include Charities, Voluntary and community organizations, social enterprises and cooperatives, think tanks, and private research institutes (excluding Universities and Colleges).

Management is the process of planning, organising, leading, and controlling the various organisational elements that are essential to achieving the purposes of the organisation. Management practices such as plans of activities, operations budgets, use of financial accounting, and disclosure of financial information or drawing up management reports, although the key emphasis of the non-profit organization is on service delivery rather than profit distribution to owners.

"Third-sector organizations have emerged as key players in the delivery of public services to assist jobless people in improving their employability and moving from welfare to work" [1]. "Nevertheless, these organizations face several challenges, such as access to finance, low levels of recognition, varying regulatory environments, and a lack of entrepreneurial skills. The lack of entrepreneurial skills is related to managerial skills and also accountability problems and difficulties in these kinds of organizations. The report of accountability reporting in the third sector is not a new discussion. Nowadays, the non-profit sector focuses on issues such as: measuring the value-added performance of non-profit organizations in terms of actual outcomes and impacts" [2]; "ensuring that trustees and other volunteers understand and fulfill their legal and professional responsibilities; public disclosure of operating practices related to fundraising and executive compensation, and fulfilling explicit or implicit obligations associated with public subsidies of non-profit activities. Governance, accountability, and transparency are nowadays-key issues for NPOs" [3].

"However, the area of accountability in the third sector is understudied. While there are numerous specialized textbooks on financial accountability in the third sector and other written materials dealing with specific issues of compliance, most general texts on non-profit management do not contain in-depth discussions on accountability from conceptual, managerial, and policy-making standpoints. In the same way, there is an obvious lack of rigorous research, particularly with respect to professionalism and accountability in the non-profit sector, although in recent years they have become more business-like" [4].

2. METHODOLOGY

2.1 Study Area

The present study was carried out in Kolar, Chickballapur, and Tumkur Districts of Karnataka. The three districts were purposely selected for the study due to the presence of a large number of Third Sector Organisations (TSOs) in all three districts.

2.2 Sampling Framework

The total number of Third Sector Organizations selected for the study from three districts was 30. Since, different types of TSOs are functioning in the study area, the sample comprised NGOs, SHGs & Primary level cooperatives. Primary data was collected from 30 TSOs. To fulfill the specific objectives of the study descriptive statistics including percentages were used.

2.3 Descriptive Statistics

After data preparations, all the necessary features such as good internal controls or poor reporting systems would be described. In this case, it is used to summarize necessary measurements and samples. The descriptive form would involve the use of both simple graphs and pie charts and this would show the outcome of the data.

2.4 Likert Scale

A Likert scale is a question that is a five-point or seven-point scale. The choices range from Strongly Agree to Strongly Disagree so the survey maker can get a holistic view of people's opinions.

3. RESULTS AND DISCUSSION

3.1 Planning in TSOs

Table 1 shows that the types of plans were similar among all the organisations studied. All the organisations had financial plans (budgets) in

place. 15 (50 %) organisations had in place plans other than financial plans. The most prominent of these were strategic plans. Others include operational, area (regional/country), program, and project plans.

The most popular range of planning horizons was 0-1 year with 15 (50 %) organisations indicating that they had plans in this range. The majority of these plans were financial in nature. The second most popular planning horizon was 1-3 years with six (20 %) organisations indicating that they had plans in this range. The majority of these plans were indicated as strategic plans. Five (16.67 %) organisations also indicated that had plans in the 3 -5 year planning horizon, but one of these organisations described the plans in this range as financial in nature. Only four (13.33 %) organisations indicated that they had plans (strategic) that covered more than five years.

The organisations studied also indicated what they sought to achieve through planning. These included efficiency and proper resource management, effective service delivery, responsiveness to the target community, implementation, and control of activity, among others [5].

3.2 Strategy Development in Practice

The organisations were required to indicate the extent to which certain features/aspects pertaining to the strategy development approaches characterize the strategy development practices in their organisations. Those aspects were ranked on a five-point Likert scale. A mean score was computed for each aspect (Table 2).

From the Table 2 shows that the majority of the organisations (mean score 5.4) are strategies developed through the application of experience and ways of doing things built over the years followed by Strategies are developed the through direction of an individual or group, but not necessarily through formal planning (mean score 4.6). The organisation or industry within the relief and development of TSOs strategy can be explained primarily as the outcome of cultural, formal-analytical, and political processes. In other words, the respondents indicated that the application of the taken-for-granted assumptions and routines of the organisation, the use of a prescribed sequence of analytical and evaluative procedures spear-headed by a planning department, and bargaining and negotiation with and among the powerful stakeholders of the

organisations. The organisations were able to describe the process by which they arrive at decisions regarding their organisations' strategies. According to them, this process attracts wide participation. Besides the top management team, donors, partners, programme and project officers, and the staff are also consulted. Some organisations have indicated the participation of external consultants. The respondents also indicated that although there were established clear policy guidelines/framework of guidance for this process, situation analysis, stakeholder analysis, budgets, and programme information among others are the information inputs in this process. It is also clear from the preceding facts that the cultural, planning, and political views predominated the strategy formation within the relief and development NGOs.

3.3 Staff Management Practices Followed by TSOs

To understand how the TSOs manage their human resources, a three-point (always, sometimes, or never) human resource management rating scale had seven statements of practices related to staff management. Fig. 1 displays the percentage of TSOs and the extent to which they followed the practices of staff management. These figures show that majorly 78.5 % of organisation follows non-discriminatory hiring practices followed by 61.5 % of the organisation provides clear job descriptions that provide details such as qualifications, responsibilities, reporting relationships, performance indicators, and review when it recruits staff members, 56.9 % of the organisation follows a systematic and fair method for the assignment of new or existing staff to specific jobs to protect their workload, etc.

Similar results were found in a study on the Management of Non-Profit Social Service Organisations in Aotearoa New Zealand conducted by Albert [6]. They found that there is a huge variation among NPOs on the extent to which they follow staff management practices.

## 3.4 Motivational Factors of TSO to Increase the Effectiveness of Organisational Work

This research explores the seven parameters of Motivational factors of TSO to increase the effectiveness of organisational work. In line with

the sub-research question which explores the main influencing parameters for their effectiveness, an important question was posed to extract their opinion regarding motivational factors associated with their own perceived effectiveness.

Table 1. Planning in TSOs

(n=30)

Sl. No.	Types of plan		Number of NGOs	Proportion (%)
1.	a.	Financial	30	100
2.	b.	Other	15	50
3.	Planning horizons			
4.	a.	0-1 year	15	50
5.	b.	1-3 year	6	20
6.	c.	3-5 year	5	16.67
7.	d.	5 years and beyond	4	13.33
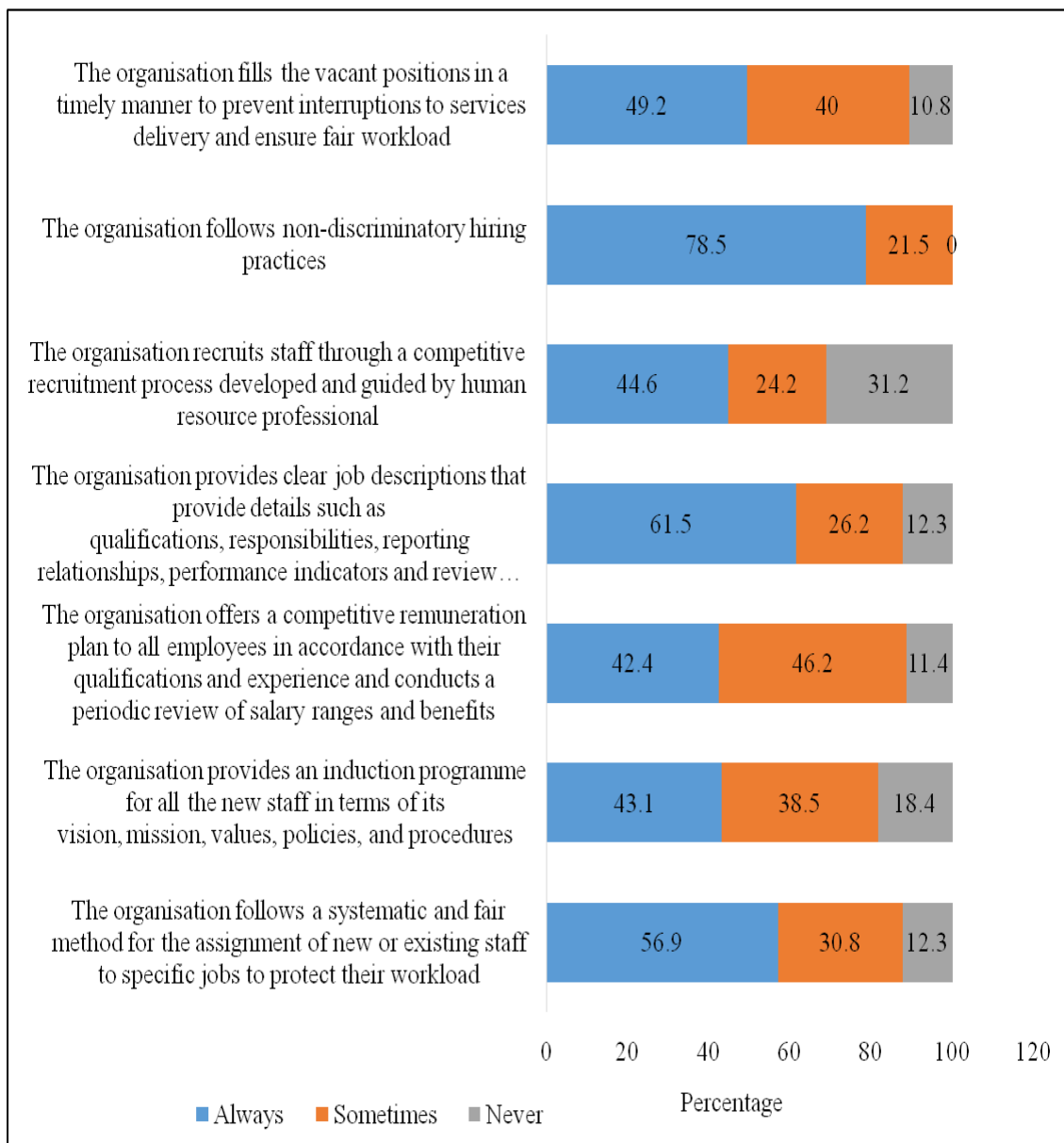
Fig. 1. Percent of TSOs following staff management practices

Table 2. Mean scores on various aspects of strategy development in practice

Aspects	Frequency					Mean score
	Not practiced	**Somewhat practice**	**neither practice nor not practiced**	**prac tice**	**prime practice**	
	1	2	3	4	5	
Planning is done through the planning department and formally prescribed tools and techniques are used	0	0	12	5	3	4
Strategies are developed through the direction of an individual or group, but not necessarily through formal planning	5	3	7	4	4	4.6
Deliberate development of strategy by 'learning through doing	4	3	0	6	8	4.2
Through the application of experience and ways of doing things built over the years within the organisation or industry	0	0	4	15	8	5.4
Strategies are imposed by agencies or forces external to the organisation, e.g., government, donor, and parent organisation	4	2	2	8	3	3.8

Table 3 shows that 27 TSOs organisations are involved in the Training and self-development followed by 25 TSOs organisations following on their own motives and goals, Job satisfaction, and leadership power are their top priority motivational factors. Additionally, remuneration, appreciation, and recognition from superiors for work well done and TSO prestige and awareness are also relevant factors for their increased effectiveness at work. Motivation plays a vital influencing factor towards managers and works increased effectiveness. It is important to mention that factors like; being 'motivated' and 'own motivation', 'purpose' and 'contributing to the society and community development are the perceived influencing factors they associate as relevant for their managers' effectiveness at work.
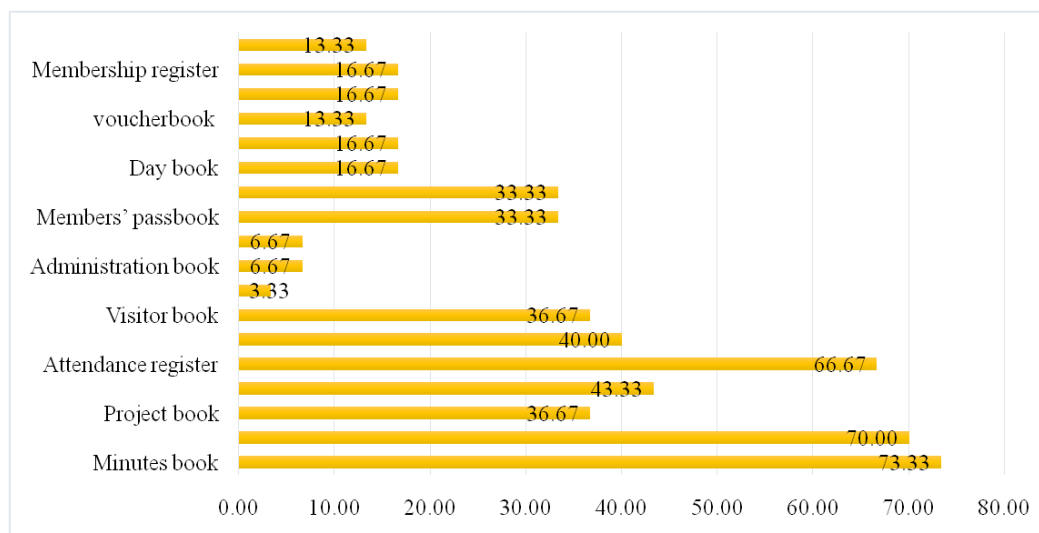
3.5 Type of Records Maintained by TSO

Fig. 2 shows that most of the organisations maintained a minutes book (73.33%) and cash book/ledger (70%) followed by an attendance register (66.67%), beneficiaries book (43.33%),

and training book (40%) the major. Minor records are savings ledger, loan ledger, resolution book, membership register, voucher book, fund register, day book, Members' passbook, audit report register, administration book, and check book. In some organisations books are not up to date, and are pending for a period of 2 to 3 months; the majority of the books are with incomplete information and overwriting. It reveals the poor bookkeeping of TSOs.

Bookkeeping is one of the key indicators to measure the performance of the organisation. The quality of the book organization can be measured by the set of books that they are maintaining, whether or not they are up-to-date, whether the required information is complete, and if there are over writings. Types of books are minutes book, members' passbook, savings ledger, loan ledger, cash book, resolution book, membership register, Fund register, voucher book, day book, members passbook, audit report register book, administration book, training book, visitor book, beneficiaries book and attendance register [7].

Table 3. Motivational factors of TSO to increase the effectiveness of managerial work

(n=30)

Sl. No.	Description	Total Number of Responses
1.	Job satisfaction	24
2.	Remuneration	20
3.	Training and self-development	27
4.	Appreciation and recognition from Superiors	19
5.	Leadership power	22
6.	Own motives and goals	25
7.	TSO reputation / public awareness / Prestige	15

Fig. 2. Type of records maintained by TSO

3.6 Financial Monitoring and Tracking System in Place

According to Fig. 3, it is clearly indicated that a greater percentage (63%) of TSOs are following balance sheet, P/L, and cash flow systems followed by tracking and monitoring systems (30%). Financial statements are necessary for reporting purposes and are prepared at the end of each financial year. As can be seen below, these organizations have a well-structured balance sheet, income statements, and cash flow. In addition, they also have systems in place to track the progress of expenditures and receipts so that the financial position of the organization is well monitored. It was however surprising that about Seven percent of the organizations were not aware whether their organizations have a monitoring and tracking system. This is a clear indication that the communication is not efficient within the organization in passing important information in terms usage of donor funds. Generally, there are reporting and tracking systems within these organizations and this is an area that approved or disapproved the transparency in terms of the management of funds within these organizations.

Given the fact that these organizations work on a number of projects which requires funding simultaneously, the organization should have an adequate number of staffing within the accounting and finance department to provide synergies in the management of donor funds and expenditures therefore this was part of the study. Based on this fact, the result shows whether the number of employees currently available within the finance department of the studied organization was adequate to manage all the financial needs of the organization and the diagram below shows the results of the study.

3.7 Audit System in TSOs

Fig. 3 shows that the majority (48%) of TSOs are depending on the external audit system followed by internal audit (33%) and donor audit (19%). The result revealed that an audit is an independent investigation of the activities done in a TSOs which concludes whether they are in good order or not. Though TSOs Audits are time-consuming for some entities, they have two significant benefits: Firstly, by performing TSOs audits, an organization can provide evidence that transparency is present in the financial statements. Secondly, TSOs audits provide valuable learning opportunities. Auditors can provide advice on financial controls or systems or investigate specific issues.
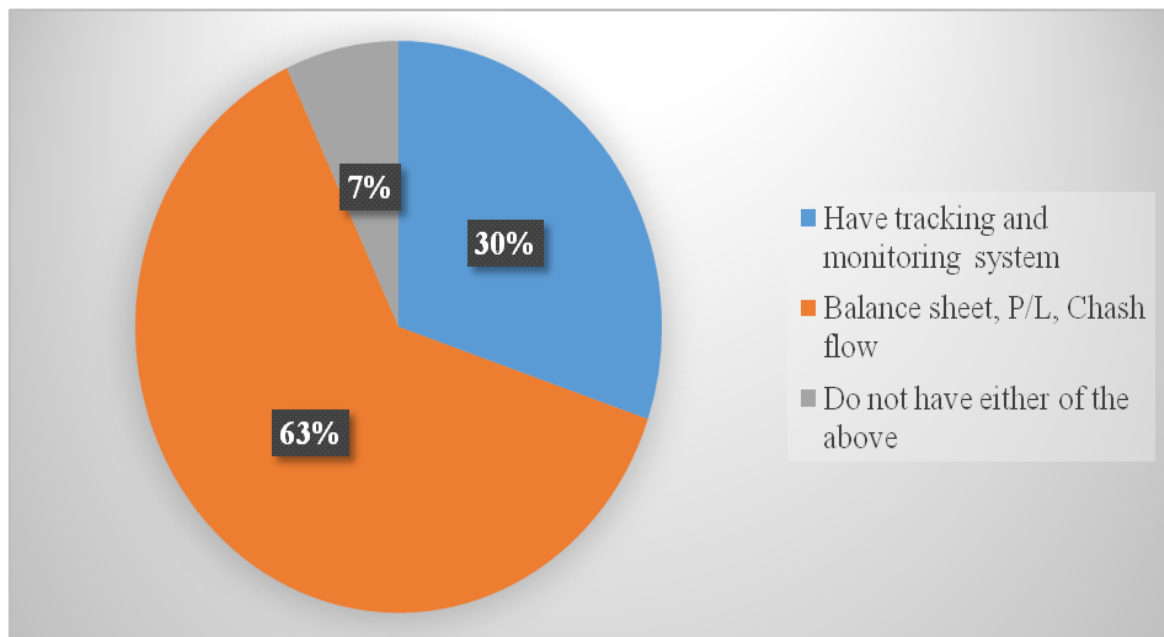

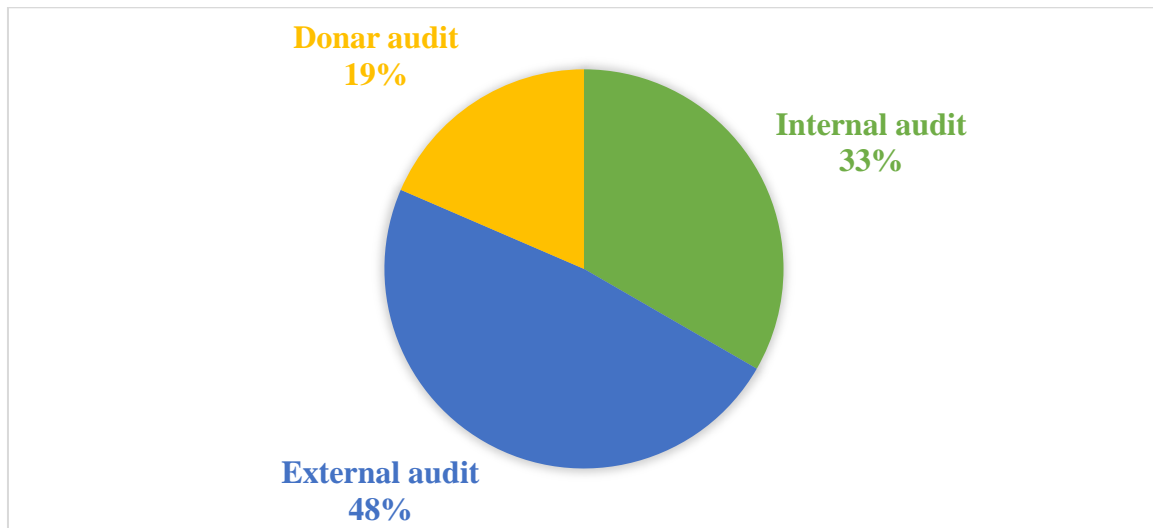**Fig. 3. Financial monitoring and tracking system in place**

Fig. 4. Audit system in TSOs

4. CONCLUSION

The study on Management practices of TSOs in Karnataka clearly indicated that many Third Sector Organisations (TSO) like Non-governmental organizations (NGOs), Self-Help Groups (SHGs), Primary Agricultural Credit Societies (PACS), etc., perform better with better management practices.

The TSOs in the study area is identified to perform better with better management practices which are planning which includes efficiency and proper resource management, effective service delivery, responsiveness to the target community, implementation, and control of activity, among others. Strategy development indicates the extent to which certain features/aspects pertaining to the strategy development approaches characterize the strategy development practices in their organizations. Motivation plays a vital influencing factor towards managers and workers to increase effectiveness. Staff management to understand how the TSOs manage their human resources. Financial management is necessary for reporting purposes are prepared at the end of each financial year and bookkeeping is one of the key indicators to measure the performance of the organization. In some organizations books are not up to date, and are pending for a period of 2 to 3 months; the majority of the books are with incomplete information and over writings. It reveals the poor bookkeeping of TSOs. There is a need to focus on records maintained by TSOs for organisational better performance. In addition, the results show that most organizations recognize the importance of accounting practices for their transactions.

Ideally, every SHG should have one of its members writing the books, preferably not the leader of that SHG. Master trainers, from the SHGs, are to be developed to provide continuous training on accounting and bookkeeping to SHG book writers. These master trainers will identify SHG book writers and train them in 2-3 rounds over a period of time. There must be a system of book writers getting a reasonable amount of honorarium which will motivate them to write books properly and be responsible for any mistakes.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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