

Commercialisation of the non-governmental organisations

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Abstract

The research of the non-profit sector generally has got a little attention by the academics in our geographical scope. However, in recent years there has been an increase in interest in social entrepreneurship, but not just in non-profit sector, and other types of social businesses models due to several changes that occur in a competitive environment. The term “commercialisation” has mostly negative connotations in contrast to self-financing, social entrepreneurship, and related terms. According to Frič, P. et al. the academic community is realising the commercialization of civic organizations very well, but it does not give it enough or no attention whatsoever. Since the late 90s, commercialization and the profit-oriented activities of civic organizations resonated as a quite controversial topic among the organizations of the civic sector themselves (Frič et al., 1998). Today, the non-profit organizations operate in a highly competitive environment, which is to a large extent characterized by the growing needs of their target groups and community. It also arises more competitive and generally more stringent funding environment with growing competition for donors and grant schemes (Frič et al., 1998).

Keywords: commercialisation, non-profit organizations, civic sector, non-governmental organisations, foundation

1 The current state of the issue discussed

In his findings, Bradrick E. argues with the fact that moving towards social entrepreneurship that has dominated over the last decade has begun to change both non-profit and profit organizations - with many non-profit charitable organizations that are getting more and more interested in profitable activities and vice versa, the increase of joint ventures among non-profit organizations and profit organizations and an increasing number of profitable entities, which create and control associated charities (Bradrick, E., 2013). Bradrick’s arguments of disappearing boundaries between non-profit and profit organizations can be also other authors in the earlier years. Dees and Anderson are seeing the main reason of the boundaries disappearance between the business and the civil sector being the result of commercialization of the non-profit sector (Dees and Anderson 2003; Lewis 2005). Moreover, if the commercialization is successful civil organizations might be losing their identity, exaggerating “losing their soul” (Alexander et al., 1999; Eikenberry and Kluver 2004; Weisbrod 2004).

One of the main explanations in the literature currently available on the subject is related to the arguments of the professionalisation of civic organizations, which is linked to the wider process of modernization. Companies are characterized by the deepening of the division of the labour, rationalization, specialization of individual activities, formalization, standardization and bureaucracy procedures related. The generally acknowledged cause of the professionalisation of civil organizations is their attempt to adapt to the relevant environment formed by service delivery market, public policy institution, political system and local communities. (Sauruggeer, Eberwein, 2009). Salamon L. is convinced that the professionalisation of the civil sector began hand-by-hand with the fundraising, because non-profit organizations needed the money for their activities, which they could get only by more efficient and more professionalised fundraising, which in turn had to adapt to the economic standards (L. Salamon, 2011).

2 Advantages and disadvantages of the commercialisation

Modernisation is happening in all the sectors of our life. We have been witnessing the changes related to this phenomenon also in the non-profit sector in most of the countries. The rate of commercialization of the non-profit sector in Slovakia is also inevitable rising due to the professionalisation of individual organizations, which is related to the wider process of modernization in general. Most of the organisations that have been in the field for many years are already able to “sell” their services to the public institutions or are being hired directly by the state due to their knowledge, long-term field work and expertise in their field (e.g. Transparency International, Amnesty International, etc.). For the illustration, we can see in the research done by Vaceková, G. & al. (2016) in the table below:, from which we can see that the highest score of the commercial income in the total income have the

	2008	2009	2010	2011	2012
<i>The share of commercial income for total income</i>					
Foundations	24.37%	17.61%	17.45%	18.23%	12.68%
Nonprofit providers of public services	43.54%	45.47%	43.25%	43.89%	44.12%
Civic associations	21.58%	23.08%	23.10%	35.51%	35.85%
<i>Revenues per unit in Mio. CZK</i>					
Foundations	37.1	39.8	33.1	30.4	35.5
– Commercial revenues	9.0	7.0	5.8	5.5	4.5

– Contributions and gifts	6.5	3.5	1.0	6.6	2.2
– Operating subsidies	1.9	0.1	0.9	0.7	0.8
– Other revenues	19.7	29.1	25.4	17.4	28.0
Nonprofit providers of public services	17.0	18.0	17.9	18.2	18.6
– Commercial revenues	7.4	8.2	7.7	8.0	8.2
– Contributions and gifts	0.7	0.8	0.7	0.9	0.9
– Operating subsidies	7.0	7.1	7.1	7.0	7.0
– Other revenues	1.9	2.0	2.3	2.3	2.5
Civic associations	22.1	25.6	25.9	18.3	17.7
– Commercial revenues	4.8	5.9	6.0	6.5	6.3
– Contributions and gifts	0.9	1.3	1.2	1.0	1.3
– Membership fees	0.6	1.2	1.0	0.8	0.8
– Operating subsidies	4.4	4.9	5.2	6.0	6.3
– Other revenues	11.4	12.4	12.5	3.9	2.9

non-profit

providers of public services. This can be the case of the services that the state falls short to provide and therefore the civic organisations are the ones taking over this task.

Source: *Questionnaire (Annual report on nonprofit institutions, housing cooperatives and selected institutions)*. Vaceková, G. 2016. VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations. Rethinking nonprofit commercialization: the case of the Czech Republic

Many scholars and academics are seeing the phenomenon of social entrepreneurship and other commercial activities being part of the financing and sustainability of the NGOs as a threat for their original mission. The vision and mission of non-profit organizations can be influenced by the entry of commercial activity into the organization's functioning, if we have assumed that these organizations are to be dependent solely on the external funding, donors, voluntary work, etc. We need to also ask if the original values and the missions of the organisations are changing in particular because of the commercial activities being part of their sustainability strategy or because there are external circumstances (such as the demand of the target groups, public resources, modernisation, etc.) happening which are leading to re-defending of their initial mission and goals.

Commercialization of non-profit organisations is accepted as an institutional phenomenon; therefore, we can assume that their moral credit is not being degraded. On the contrary it can be considered as a “natural development”. What do we mean by that? The decisions are not being made only on the individual but more on the collective basis. That is also connected to the fact, that we have to take into the consideration, which is the overlapping interest of profit and non-profit organisations. More profit-organisations tend to claim to be socially responsible, have their own foundations and funds to support civic sector or on the other side the non-profit organisations are becoming more open and we can even say creative in their financing and sustainability system (especially those that have been operating for many years already and are well-established in the eco-system).

On more hand, some of the effects of the commercialisation of non-profit organisations are, therefore, improving the independence of non-profits, empowering them to define and fulfil their missions more effectively and leading them to better self-sustainability. On the other hand, the commercial activity decreases with increased donations, which can also lead to mission-unrelated activities. The donors however have their preferences and priorities that are changing from one year to another. Once they can decide to support the animal right, another time human right and afterwards the nature conservation, and similarly it can be changing depending on their own needs. Unfortunately, some of the NGOs for their ‘existence reasons’ are changing their own mission accordingly to the perspective donors.

When we are analysing the disadvantaged of the commercial-like activities, one of the biggest disadvantages or pitfalls of the discussed phenomenon is the fact that the commercial activities can be also opting out the voluntary work, since the organisations are in the need of professionals and when they are “selling their products” they need to deliver a higher quality of services than they would be able only via voluntary work. Volunteers have been however considered mostly as a crucial part of the non-governmental sector.

3 Further Discussion

Here we are discussing the issue of commercialisation of the non-governmental organisations most taking look from the perspective of Central Europe. Some of the scholars are claiming that the countries are experiencing an increase in the number of civil society organizations but also a decline in civic activism and it is time to think about other causes of weakness of civil societies in post-communist countries such as the inheritance of communist past in the form of mistrust among citizens.

What if the causes of the weakness of civil society and the decline of some segments of the civil sector are not in the past, but in processes that are today regarded by many as the engine of its development?

On the other side there is the tendency of increasing networking between state and non-stat organizations, which can be seen in growing use of both new public management methods and organizational innovation. These trends increasing involvement of the non-profit sector in service delivery processes (Bode & Brandsen 2014). To what extent is this the case of Slovakia and how is the perception of the public for the non-profit organisations shaped by the narrative of the politicians? Slovakia is one of the countries where recently the narrative of the non-governmental organisations has been misused and mystified by the false statements on the peculiar financing of the NGOs. The public opinion towards the NGOs is also not very positive since it has been shaped by the mentioned narrative and is creating more mistrust among the general public.

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