

Comments on
“Effects of Different Stakeholder Groups’ Strategic Control on Organizational Effectiveness and Well-Being of Customers and Employees: An Empirical Investigation”
by Avner Ben-Ner and Ting Ren

Carlo Borzaga and Ermanno Tortia

University of Trento

carlo@borzaga.unitn.it

etortia@economia.unitn.it

IEA Research Workshop on
Corporate Social Responsibility (CSR) and Corporate Governance
Trento, 11-13 July 2006

An important topic: control in NPOs

- Over the last few decades we witnessed an increase in the production of social goods and services (meritorious goods) by the private sector, mostly delivered by not-for-profit organizations
- The non-profit category, traditionally unifying all organizations characterized by the NP distribution constraint, is not sufficient any more because inside the non-profit sector we find varied realities that are characterized not only by the NP constraint and that show different ownership and control structures (both single and multi-stakeholder)
- The investigation is relevant, for example, in order to understand if a proper structure of control rights can be devised in order to limit the process of commercialization of nonprofits and adulteration of the original mission.

Some results by other researches are confirmed

- **Wages** in government providers are higher
- **Chain production** reduces the well-being of residents and of employed workers. The former result is new, while the latter was already found in the case of home-care services in the UK. The reason is that chain operated services pay lower wages.
- **Community control** has positive effects on deficiency citations, but it has also a negative effect on workers' well-being in terms of relations with the management. This second result was also found in our study on social services in Italy, with a negative role of the presence of volunteers in public providers
- Importance of **employee belief** in the organization's mission for resident satisfaction was found also in our research, with a positive effect also on employee satisfaction

Some problems

- Data are almost exclusively represented by executives' *self-evaluations*. This method induces high means and low variance, hence the explicative capacity of the estimated models is reduced.
- In the estimated **production function**, nonprofit show lower productivity. However, the relevance of this result is reduced by the absence of data on residents' screening and on how severe their disabilities are
- The distinction between ownership and control is not clear especially for nonprofits where the community can have either the ownership or the control or both.

Possible contradictions

- Control by the management increase residents' well-being in nonprofits
- On the other hand, deficiency citations (the only objective regressand present in the study) are increased by executive control in the whole set of organizations

How to explain this contrast?

Possible developments

- Separate models for non-profits, for-profits and public ownership would be important in order to highlight the differences and not only the different influence on the dependent variable
- Try to develop different models for single-stakeholder and multi-stakeholder organizations
- It would be important to know what exactly the owners are, if any, in nonprofits: what is the exact meaning of the difference between ownership and control in nonprofits?

Executive control in nonprofits enhances residents' well-being and reduces deficiencies.

Again it would be important to deepen the knowledge about the exact structure of control in non-profits:

- Owners are absent or not?
- Are executives members of the NPOs or not?
- What is their real role?

For-profits vs nonprofits

- The result of the elaboration show that for-profit firms are more innovative and better able to respond the customers' demand.

However:

- This is just a self-evaluation
- In our studies on Italy it was relieved that for-profit managers tend more than other to over-evaluate the performance of their firms. In general, executive behaviour and answers can be different in different organizational forms
- This can be true only for more traditional non-profit providers, while for services on the frontier, which in Italy are performed by social cooperatives, non-profits can be more innovative, at least in Italy
- Nonprofits seem to accept the most difficult cases too, while for-profit firms more often refuse them.