

ORIGINAL ARTICLE


**Citation:** Mikołajczak, P. (2019). Becoming business-like: the determinants of NGOs' marketization turning into social enterprises in Poland. *Oeconomia Copernicana*, 10(3), 537–559. doi: 10.24136/oc.2019.026

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Received: 1.12.2018; Revised: 19.08.2019; Accepted: 12.09.2019; Published online: 27.09.2019

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## Becoming business-like: the determinants of NGOs' marketization turning into social enterprises in Poland

**JEL Classification:** G23; L31; L33

**Keywords:** marketization, NGOs, social enterprises, business-like approach

### Abstract

**Research background:** NGOs face an increasing expectation to be more business-like. They are becoming involved in selling services by performing a commercial activity, which, in turn, is a basic condition for creating social enterprises. The changes related to this approach are an essential condition for their survival and a significant reason for developing their new form as social enterprises. On the other hand, there is no lack of critical opinions related primarily to mission volatility. Currently, a discussion is taking place in the literature on factors that may affect NGOs' marketization; these, however, have not been empirically verified yet. The identified research gap constituted a major challenge for the author.

**Purpose of the article:** The purpose of this paper is to verify whether conducting a business activity influences the entrepreneurial way of NGOs' operation, and to indicate the factors that have a significant impact on their marketization.

**Methods:** On the basis of a representative national survey of 3,800 NGOs, including 412 social enterprises in Poland, a one-factor analysis of variance (ANOVA) and a stepwise backward regression analysis were carried out.

**Findings & Value added:** The analysis of the results confirms that there are significant differences between NGOs operating as social enterprises and NGOs not performing a business activity. In contrast with the existing literature, this study indicates that social enterprises have less diversified revenue sources and use a more or less democratic governance model. Moreover, Polish social enterprises less frequently adjust their policy direction to donors' interests. The factors significantly affecting NGOs' marketization include action strategies for several years,

activity in favor of external benefit takers, close business cooperation, lack of permanent financing sources, and regular activity combined with flexible working time.

## **Introduction**

The marketization of NGOs through undertaking an activity based on the commercial sale of services and products is a phenomenon which raises controversy among numerous researchers. Traditionally, NGOs operate in a sector of social services to solve problems, such as homelessness, exclusion or social pathologies. They also provide various services which cannot be provided by the market, for instance in education, the health care system, culture or art. Driven by a social mission, NGOs introduce their concepts, strongly relying on donations to perform their activity. They also obtain funds in the form of payments from private or institutional donors. Growing social needs and changes in the governmental policy aimed at reducing social aid spending have put pressure on NGOs to develop entrepreneurial strategies to gain financial support. To support their mission-related work, these organizations work to achieve commercial revenues becoming more business-like (see King, 2017, pp. 241–260; Maier *et al.*, 2016, pp. 64–86; Coule, 2015, pp. 75–97; Sanders, 2015, pp. 205–222; Carnochan *et al.*, 2014, pp. 1014–1032; Dart, 2004, pp. 41–424). Although scholars have theoretically explored this phenomenon and studied the influence of marketization on nonprofits' activity in various contexts, there has been little empirical examination of determinants through which this marketization occurs. There is also little empirical evidence of significant differences between organizations that undertake a business activity: social enterprises and those that do not run such an activity.

Therefore, this paper aims at establishing whether the fact that NGOs conduct a business activity as an essential condition for their marketization translates into differences in the way NGOs operate, and at showing which of these have a significant impact on their marketization. To achieve this aim, a one-factor analysis of variance (ANOVA) and stepwise backward regression analysis were carried out. The author used data obtained from a representative sample of 3,800 Polish NGOs. The literature review made it possible to choose the factors of NGO's business-like approach that other researchers consider in their studies.

At its initial stage, the paper explains some key notions related to the marketization of NGOs and business-like approach. Secondly, it describes research methodology, including data, research methods and a systematization of selected features of NGOs and social enterprises' activity. Thirdly, the paper analyzes differences in these areas between organizations that

perform and those that do not perform a business activity. Finally, it states which of the features under scrutiny have a significant impact on the economization of NGOs. On this basis, the author draws conclusions and presents suggestions for further research.

## **Literature review**

Maier *et al.* (2016, p. 70) presented the first systematic literature review of non-profit organizations becoming business-like (see Figure 1). On the basis of 599 sources, the authors state that although nonprofit organizations becoming business-like is a well-examined global phenomenon, the field remains hard to grasp because the considerable range and complexity of overlapping key concepts create major challenges. The researchers point to a clear need for comprehensive studies to better understand inadequately investigated issues of organizational structures and processes, as well as the effects of NPOs becoming business-like.

While reviewing the research literature devoted to the nonprofit marketization of NGOs, it is evident that the phenomenon is a process in which NGOs, perceived as non-profit organizations, engage in activities that aim to generate revenue from the sale of services and products (see Han, 2017, pp. 1209–1225; Stankiewicz & Seiler, 2013, pp. 353–365; Zielińska, 2011, pp. 96–104; Simpson & Cheney, 2007, pp. 191–222; Dart, 2004, pp. 41–424; Eikenberry & Kluever, 2004, pp. 132–140; Salomon, 1993, pp. 29–49). Çalışkan and Callon (2009, p. 369) describe marketization as a complex process in which a precise description of entities which are marketized is essential, as the latter are situated between an individual and society. According to Simpson and Cheney (2007, p. 191), marketization is a process of penetrating an essentially market-type relationship into arenas not previously deemed part of the market; or as a universal discourse that permeates everyday discourses but goes largely unquestioned. It is, therefore, an attempt on their part to adopt market behavior by conducting a business activity. In the same context, Eikenberry and Kluever (2004, p. 132) write that the nonprofit sector in the United States is increasingly often undertaking a business activity, adopting market values and methods in the management process. Competition with for-profit providers and availability of funding might be examples of economic factors which affect marketization (Maier *et al.*, 2016, pp. 64–86).

The purpose of the marketization process is to enhance the economic stability of an organization by commercial sales of a product, as well as by becoming independent of funding based on donations and/or philanthropy,

and independent of changes taking place in the management of the organization, stressing its resourcefulness and self-sufficiency (Vaceková *et al.*, 2017, pp. 2103–2123). This phenomenon, increasingly noticeable all over the world, is a significant element of a social economy and social entrepreneurship. In a broader sense, it is a question concerning the state's social policy and limited capability to finance entities through this policy. Hall (2012, pp. 735) proves that the core of marketization is the involvement of third-sector providers in a mixed economy of welfare provision. The marketization of NGOs is also a response to an increasing number of people who need support, a more and more numerous groups of organizations competing for funds to conduct their activity (Mikołajczak, 2017a; p. 478; Bruce & Chew, 2011, pp. 155–157).

The functioning of an organization that raises money from philanthropy or gains capital from public funds inevitably involves specific costs. Thus, the effectiveness criterion appears, which is strongly related to the functioning of every entity. Indifference towards market signals may lead to undesirable consequences in both the financial standing and management issues.

Some researchers claim that conducting a business activity allows NGOs to gain greater independence from public administration and philanthropy. This is because it allows them to raise funds not only from their own business activity, but also from investors or a partnership with a for-profit entity (Geobey & Weber, 2013, pp. 124–137). However, Guo (2006, pp. 123–138) proves that, although “higher levels of revenues from a commercial activity can significantly contribute to an organization's self-sufficiency, ability to attract and retain staff, and reputation, commercial revenues do not make a significant contribution to the organization's ability to attract donors and volunteers, mission, and service delivery, when the effects of other variables are controlled for”.

Marcinkowska (2014, p. 59) writes about marketization of NGOs as a “business way” in management, that is: raising standards in planning, organizing, motivating and controlling. As Stankiewicz and Seiler (2013, p. 354) point out, it is important to take into account the nature of a business-like management system, which has a dual character: services-oriented on the one hand, and fund-raising on the other. Zielińska (2011, p. 96) observes that gaining a high efficiency of acting in a changeable environment forces NGOs to accept a strategic orientation whose creation and consistent implementation in conditions of greater competition is expected to “increase development opportunities and create grounds for raising funds and also professionalization of services (...)”. Researchers indicate that the crucial question whether nonprofit organizations should, and indeed can, use business-like approaches to better serve the public good lies at the heart

of nonprofit management studies (see e.g. Marcinkevičiūtė & Žukovskis, 2016, pp. 120–127).

The NGO sector itself appears to have embraced the marked trend by adopting more business-like orientation models and by creating strategies to promote a greater impact, efficiency, and accountability (Lindenberg, 2001, pp. 247–270). Business-like practices — such as goals, targets and measurements — are part of a new way of managing professional-client relations and managing professionals themselves (King 2017, pp. 241–260). Fowler (1997, p. 47–48) argues that it is, therefore, critical that NGOs retain the ability to adapt project goals and expectations, to embrace a certain level of uncertainty with regard to allowing greater flexibility in strategic planning and evaluating project success. Amagoh (2015, p. 226) has shown that success in empowerment strategies is most likely if the time horizon for intervention is a long-term strategy and if the NGO has stable and long-term sources of funding.

NGOs may perform their mission by concentrating mainly on serving the interests of their members, people or institutions with which they cooperate, and by meeting their different needs or creating work places for them. They can also conduct their social mission through offering their services to other external benefit-takers or can combine both goals (Martens, 2002, pp. 271–285). Markets are based on competition and on the beneficial outcomes of self-interests. Under certain conditions, cooperation leads to more beneficial outcomes, even in market environments. This is also applicable in the NGO field, where, for instance, the success of advocacy campaigns is largely dependent on the effective collaboration of different organizations. Cooperation is also an expression of NGOs' marketization. It is a relational construct that relies not only on demands and control, but also on partnership and cooperation. A more market-oriented breed of donors is aware of the importance of a development process that is based on an empowering business-like orientation of NGOs and of the positive effects that participatory planning and cooperation can have on project success and target achievement.

The cooperation of NGOs may occur at different stages and in different forms. Studies on the subject point to both short-term and long-term benefits arising from cooperation (Rondinelli & London, 2003, pp. 61–76). For instance, Hahn and Pinkse (2014, p. 141) demonstrate the advantages of relationships between corporations and NGOs, leading to more numerous alliances between them. Cross-sectoral alliances are defined as partnerships between for-profit and nonprofit entities, such as local and international NGOs. It is increasingly believed that cooperation should mean not “a sub-contractor”, but a genuine partnership between organizations, based on

mutual respect and acceptance of the independence of cooperating organizations concerning their vision and approaches (Dahan *et al.*, 2010, pp. 326–342; Yaziji & Doh, 2009, pp. 96–104). In the process of nonprofit marketization, organizations develop mutual relationships on the basis of the assumption that this cooperation may bring benefits for both parties (Hwang & Powell, 2009, pp. 268–298).

Carroll and Stater (2009, p. 964) prove that one of the conditions for NGOs' stable activity concerns access to diversified sources of finance. Carmin (2010, p. 186) argues that financial stability is of key importance to NGOs, as it not only ensures support which enables a business-oriented activity, but also guarantees funds to employ workers, purchase equipment and keep work places. At the same time, Froelich (1999, p. 157) highlights the fact that funding stability means not only NGOs' uninterrupted and regular activity, but also their predictability and ability to formulate strategies. The organization's regular access to finance ensures its continuous activity (Reilly, 2016, pp. 297–307). Research has shown that NGOs increasing the diversification of revenues have a stronger market position than those utilizing only a few revenue sources (Frumkin & Keating, 2011, pp. 151–164; Mikołajczak, 2018a, pp. 113–125). In this context, Hager (2001, p. 378) acknowledged that revenue from commercial sales of products and services increases the probability of an organization's survival and regular operation. At the same time, he proved that a higher level of revenue concentration contributed to many organizations' failure.

On the other hand, critics point out that instead of ensuring independence, prosperity and resilience, the business-like model orientation has weakened nonprofit organizations and tightened government control over them (Vacekova, *et al.*, 2017, pp. 2103–2123; Eikenberry & Cluever, 2004, pp. 132–140).

Discussions on the efficiency of NGOs' business-like approach often deal with the issue of two opposite decision-making models in this respect. One is democratic (participating), most frequently used by charitable NGOs operating in the social-care and poverty-prevention sector, and by environmental organizations. The other model (autocratic) is more individual, based on a leader, and adopted by organizations such as scientific or technical institutions, or by religious groups. Barr *et al.* (2005, p. 20) stress that “[a] good leader is arguably one of the most precious resources any organization, non-governmental or otherwise, can have.” In particular, the democratic management model is regarded as one of the most essential criteria for specifying NGOs' activity in the form of social enterprises (Wry & York, 2017, pp. 437–460; Mikołajczak, 2017b, pp. 135–144).

Several pieces of research suggest that a democratic management style is particularly suitable for NGOs, whose work involves the promotion of participation and the empowerment of beneficiaries. The more participative and collective management model that many NGOs espouse is shaped by the collectivist nature of society found in much of the developing world. On the other hand, the more autocratic approach adopted by individual NGO leaders is the product of the high-power distance dimensions common to these cultures (Apostu, 2013, pp. 145–161).

Although Fowler (1997, p. 83) points out that the participatory approach to management is necessary to increase flexibility and maintain the ability to adapt to constantly changing realities, he claims that the autocratic nature of leadership in the NGO sector is a natural consequence of NGOs' marketization. Eikenberry (2009, p. 584) even suggests a counter-democratic discourse that NGOs' leaders might consider in their thinking and practice. Marcinkevičiūtė and Žukovskis (2016, p. 122) argue that NGOs' management style has visibly become similar to business-like management. Factors influencing a management style depend on the manager's personal features, personality traits, mental characteristics, level of intelligence, education, competence, etc. Guo (2006, p. 135) even found positive effects of the commercial approach on the ability to attract and retain qualified staff.

The marketization of a social activity by a commercial activity may exert distracting effects of business goals on the fulfilment of nonprofit missions. Much of the theoretical analysis and empirical research on the business-like imperative in nonprofit work highlights conflict, dysfunction, and mission drift (Sanders, 2015, pp. 205–222). Such fears may be found in papers by many researchers (Eikenberry, 2009, pp. 582–596; King, 2017, pp. 241–260). The majority of NGOs running a commercial activity are financed, among others, from donors' gifts (individual and corporate contributions) (Mikołajczak, 2018b, pp. 761–779). The motives behind private donors' generosity vary. NGOs' efforts to meet market requirements may restrict their organizational autonomy and lead to unexpected compromises. A lot depends on whether these are individual or institutional donors. Institutional donors often expect their donations to be evaluated and expenses documented, which should be seen positively. On the other hand, this type of donors may limit NGOs' freedom to form independent opinions and pursue their social mission (Ebrahim, 2003, pp. 813–829).

Evans *et al.* (2005, p. 73) perceive nonprofit marketization as part of neoliberal governance. This model suffers from the paradox of “centralized decentralization”, which implies a compromise of autonomy and advocacy, and a shift away from a community-oriented focus towards a business-like model. An ethnographic study of a single U.S. nonprofit organization car-



ried out by Sanders (2015, pp. 205–222) demonstrates the key role of communication in understanding the mission-market tension.

## **Research methodology**

Data for the analyses were obtained from the Klon/Jawor Association, which commissioned a survey on a representative sample of 3,800 Polish foundations and associations. The survey was conducted by the Millward Brown company in the third and fourth quarter of 2015. The research was carried out on a random group of associations and foundations drawn from the REGON GUS register (Statistics Poland) (using December 2014 data), verified on the basis of information obtained from KRS (National Court Register) and data collected in the *bazy.ngo.pl* network. The data concerning associations and foundations were collected by means of the interview method, which used two research techniques: 1) 2,975 interviews were carried out employing the CAPI technique (direct interviews supported by a computer, conducted by interviewers in an area), 2) 825 interviews were done applying the CAWI technique (an online survey). In both cases, respondents were people performing key functions in their organizations. The data were collected in compliance with the secrecy principle. As part of the report, in the third quarter of 2014, 24 individual in-depth interviews were conducted with NGO employees and leaders. From among the subjects surveyed, the present author selected 412 organizations which perform a business activity consisting of selling products and services, and 3,386 social-economy subjects which do not conduct such an activity.

To attain the paper's goal of identifying the differences in the functioning of NGOs that conduct or do not conduct a business activity, a one-factor analysis of variance (ANOVA) was carried out. In this one-factor variance analysis, distribution normality research was conducted with the help of a Kolmogorow-Smirnow test. For those variables which did not meet the distribution-normality criteria in the analysis, a non-parametrical Kruskal-Wallis test was carried out. To check the assumption of variance homogeneity, a Brown-Forsyth (B-F) test was performed due to unequal group sizes (NGOs performing and not performing a business activity) (see e.g. Koloba *et al.*, 2016; Leung *et al.*, 2019; Malska 2016; Yazici *et al.*, 2016; Gamage & Weerahandi, 1998). In the cases where the variance-homogeneity criterion was met, an F-test was conducted to assess the differences. In other cases, a Welch test was employed to evaluate the averages. Dichotomic variables include social enterprises and NGOs that are not involved in a business activity. At the same time, dependent variables were



selected on the basis of the literature review. Dependent variables were marked from M1 to M10, characterizing the functioning of NGOs on a five-degree scale (Mircioiu & Atkinson, 2017, pp. 1–12; Chan & Walmsley, 1997, pp. 1755–1761; McCrum-Gardner, 2008, p. 40).

Analysis of variance (ANOVA) is a statistical method used to study observations that depend on one or more simultaneously operating factors. This method identifies the factors that can be the cause of differences between the group means observed. It is necessary to indicate significant differences between NGOs operating as social enterprises and NGOs not performing a business activity. Such knowledge is particularly important for managing the NGOs that operate as social enterprises.

The first area of research refers to NGOs' developmental plans. The result of the analysis will constitute an answer to the question of whether conducting a business activity creates significant differences for implementing a long-term strategy (M1). On a scale from 1 to 5, level 1 means that an organization has development plans and strategies for several years ahead, while level 5 refers to organizations which are not concerned about future conditions and act according to the "here and now" rule. Implementing plans will also mean profit and cost planning within future years' perspective (M2). Level 1 on a five-degree scale means that the organizations surveyed definitely plan their profits and costs. On the other hand, level 5 stands for NGOs' extempore activity: they systematically analyze their needs and capability without planning their budget or expenditure in advance.

Another of the selected areas refers to NGO's cooperation with commercial entities and opening to beneficiaries, which indicates the level of an organization's openness to benefit-takers from outside its structure on the one hand, and cooperation with for-profit subjects on the other. An organization's openness level was also presented on a five-degree scale. The higher the scale level, the more the organization concentrates on meeting the needs of external people (M3). Variable M4 shows the frequency of business contacts. The level of these relationships is presented on a five-degree scale, where level 1 means lack of business relationships, and level 5 — frequent and regular contact.

The next area of an organization's activity refers to stability and regularity of NGOs' activity. For this reason, another variable (M5) shows access to finance, where level 1 means permanent sources of finance, while level 5 — an entire lack of permanent funding. Variable M6 describes the level of regularity of activity, with level 1 indicating an activity conducted on a daily basis during working hours, and level 5 — an activity performed several times a year or even less frequently.

In the non-governmental activity area related to management style and employment, another variable, called “management style”, was accepted where, on a five-degree scale, 1 stands for a one-person management model (autocratic style), and 5 — a participating one (democratic style) (M7). This is complemented by variable M8, which describes, on a scale from 1 to 5, the level of work flexibility, where 1 indicates particular working hours during which employees perform their duties, while 5 means a flexible way of setting up their working time.

Another variable was adopted, one that reflects the anxiety of some researchers pointing to corrosion of the mission owing to NGOs’ marketization (M9). Level 1 means that an organization’s mission has not been changed since its establishment; on the other hand, level 5 indicates that the organization has undergone numerous transformations.

Variable M10 defines the level of NGOs’ actions being adjusted to sponsors’ changing interests, where level 1 means very frequent changes in the policy direction, and level 5 — no change in it (Table 1).

Another research goal concentrates on stating which factors presented in Table 1 are significant and determine the conducting of a business activity. The research aim was not to show (all) the major factors; it only made it possible to choose from the analyzed M1–M10, which indeed influence NGOs’ marketization. To do so, the author relied on a stepwise backward regression analysis. To evaluate the significance of linear multiple regression, an F-test was used. A model adjustment was evaluated on the basis of the corrected R<sup>2</sup> value. To evaluate dependence force, a multiple regression rate R and slopes of significant variables were established. While verifying the correctness of the model, an analysis of the collinearity of explanatory variables was also carried out, the effect of which is expressed by the VIF factor (variance of inflation factor).

## **Results**

To identify differences in the functioning of social enterprises or NGOs not performing a business activity, a one-factor analysis of variance (ANOVA) was carried out. During the first stage, distribution-normality research was conducted for all dependent variables, with a level of  $p < 0.01$  reached in a Kolmogorow-Smirnow test, which gave grounds for rejecting the hypothesis about the distribution normality of the variables tested. As the condition of distribution normality for dependent variables was not met, a non-parametrical Kruskal-Wallis test was employed to compare the average survey values. For the Kruskal-Wallis test, the level of variables’ signifi-

cance from M1 to M10, except for M4 and M7, was smaller than  $p=0.05$ , so grounds were given for rejecting the assumption of the lack of significant differences among average results between NGOs that perform and those that do not perform a business activity. For the Kruskal-Wallis test, the level of variables' significance M4 and M7 was higher than  $p=0.05$ , so no grounds were given for rejecting the assumption of the lack of significant differences among average results between NGOs that conduct (social enterprises) and those that do not conduct a business activity.

To check the assumption of variance homogeneity, a Brown-Forsyth test was used because of unequal group sizes (412 NGOs conducting a business activity (social enterprises) and 3,386 not doing so; data shortages were tackled by not including the NGOs concerned in the analysis) (see Table 2).

The assumption of variance homogeneity was met for variables M3, M4, M5, M7, and M10. The test result indicated variance homogeneity of variables in both NGO groups — those that perform and those that do not perform a business activity ( $p>0.05$ ). Therefore, to evaluate averages, an F-test was used. Since in the case of variables M1, M2, M6, and M9 the test result showed lack of variance homogeneity in both groups ( $p<0.05$ ), a Welch test was employed to evaluate averages. The variance analysis showed statistically significant differences in the way NGOs performing or not performing a business activity act for variables M1, M2, M3, M5, M6, M8, M9, and M10. For variables M4 and M7, there are no significant differences between the NGO groups (see Table 3).

To establish which factors presented in Table 1 are significant, influencing marketization, a stepwise backward regression was carried out. Ten variables were adopted to the model (M1-M10) (Table 1). However, four of them were removed from it, because they turned out to be statistically insignificant ( $p>0.05$ ). Finally, the model consisted of six variables. The fit between the obtained model and the data was assessed by means of the F test. The risk of a 5% error of inference and the associated significance level of  $p < 0.05$ , indicating the existence of statistically significant dependencies, were assumed. While verifying the correctness of the model, a collinearity analysis of explanatory variables was also performed, the effect of which is expressed by the VIF factor (variance inflation factor). The values assumed by the indicator can be interpreted as follows (Larose 2008, p. 125):

- $VIF \geq 10$  refers to independent variables' strong collinearity,
- the coefficient of  $5 \geq VIF < 10$  means moderate collinearity,
- $VIF < 5$  means the lack of explanatory variables' collinearity.

The model turned out to be statistically significant: F-Value = 40.29;  $p = 0.00$ . Parameters of the obtained variables that affect the commercialization

of NGOs — values of directional coefficients, p values, and the VIF coefficient — are presented in Table 4.

As part of the model, six variables were selected with reference to the commercialization of NGOs: (M1) ( $p=0.002$ ), (M3) ( $p=0.003$ ), (M4) ( $p=0.039$ ), (M5) ( $p=0.000$ ), (M6) ( $p=0.000$ ) and (M8) ( $p=0.001$ ) (their p values are less than 0.05). With the exception of M8, all the coefficients are positively correlated with the marketization of NGOs. Collinearity analysis suggested the lack of the problem of correlating independent variables. The VIF factor for variables is as follows: M1(1.07), M3(1.04); M4(1.02); M5(1.04); M6(1.20) and M8(3.43) — FIV for M1–M2 is lower than 5. Therefore, linearity of explanatory variables is rejected (see Table 4). As a result, the model is described by the following formula:

$$M = 0.1204 + 0.01038M1 + 0.01007M3 + 0.00893M4 + 0.01798M5 + 0.02890M6 - 0.01467M8. \quad (1)$$

where:

M: marketization of NGOs,

M1: Having development plans, strategies,

M3: Activity within or/and outside its structure,

M4: Business cooperation,

M5: Stability of financial-support sources,

M6: Regularity of activity,

M8: Work flexibility.

The stepwise backward regression analysis revealed that factors which significantly determine NGOs' marketization (which generates commercial revenue) are action plans and strategies for several years. Moreover, a significant impact on funding an activity through a commercial sale of services and products is exerted by the fact that an entity acts in favor of external benefit takers, thereby going beyond an activity oriented only towards its own members. Another significant determinant of NGOs' marketization is the establishment of close cooperation and relations with business, as well as lack of permanent sources of finance. A significant frequency of NGOs' activity, reflected in the organizations' regular functioning along with working-time flexibility, also has a considerable influence on NGOs' decision to undertake a business activity.

## **Discussion**

In Poland, as in many other countries, there is no legal definition of a social enterprise. The most numerous forms of social enterprises include social cooperatives and non-governmental organizations performing a business activity undertaken in the process of non-profits' marketization. Thus, social enterprises are usually understood as those undertaking commercial activities. NGOs' marketization refers to the adoption of market practices with the aim of generating a greater efficiency, effectiveness and responsiveness of public services.

So far, research on social enterprises has not provided ample information about the characteristics of NGOs that determine their marketization. Young and Salamon (2002, pp. 433) identify several explanations of the entrepreneurial approach, including increased demand for services, greater willingness by corporations to collaborate with nonprofits, increased demands for accountability, and increased competition. This article confirms the researcher's findings regarding cooperation with other entities, while clarifying that this applies to commercial enterprises.

The author has stated that stability of financial support has a significant impact on NGOs' marketization. This result is close to LeRoux's (2005, p. 358) statement proving that government funding is a particularly significant factor in driving nonprofits' entrepreneurial activities. Sanders (2015, p. 129) points out that an organization's outcomes, such as years of operation, the number of employees or the annual budget, have an impact on the extent to which a nonprofit is commercialized. This may explain the conclusion drawn from the present study that having development plans and strategies stimulates NGOs' activity.

Extensive research has been conducted into the consequences of non-profits' marketization (Eikenberry & Cluever 2004, pp. 132–140), the impact of marketization on mission implementation (see Vaceková *et al.*, 2017, pp. 2103–2123; Sanders & McClellan, 2014, pp. 68–89) These statements should be taken into consideration while assessing the consequences of a social organization in Poland adopting a "being-like" approach.

The study of the current state of literature has enabled the author to select and, at the same time, narrow down his search for the analyzed features of organizations most often discussed in the literature devoted to NGOs' marketization. For the ongoing discussion on NGOs' business-like approach, it was also crucial to point to significant differences between social enterprises and NGOs not conducting a business activity. Such an approach may prove to be essential for further research in order to avoid difficulty in

qualifying the entities studied and, consequently, in interpreting research data. The author is aware that, in this study, the investigated features of NGOs operating as social enterprises do not constitute an entire spectrum of the distinguishing business-like approach. Moreover, the selected and investigated determinants of marketizing NGOs' activity do not constitute all the causes of these organizations' marketization process, as indicated by the ratio-corrected determination of 7.64%. Research into the factors of NGOs' marketization is constantly evolving. In the international discussion on the subject, market factors are being explored in an attempt to at least partially explain this phenomenon. The present author pointed to this in the literature review. Though not fully explaining the phenomenon of marketization, the results of the present study are part of a clear and significant research trend devoted to nonprofits, and as such may serve as an inspiration for further research in the field.

## **Conclusions**

The pressure to be more business-like is a phenomenon occurring within NGOs that is causing significant changes in the way the nonprofit sector operates to become more marketized. As a result of this process, social enterprises are developing. Social organizations performing a business activity and operating as social enterprises have more definite strategies and plans for development; they also calculate their revenue and expenditure more thoroughly. These NGOs also operate more regularly, demonstrating greater working-time flexibility. Additionally, they open themselves to external recipients, and have less diversified sources of financial support. There are, however, no significant differences between the two analyzed NGO groups in terms of their cooperation with business. Nor does empirical analysis confirm any significant differences with respect to the management style, that is, one of more or less democratic character. The empirical analysis confirms that NGOs, as social enterprises gaining profits from a commercial activity, more often change a social mission. On the other hand, they less frequently adjust the direction of their operation to donors' interests. This probably results from the extra opportunities to gain funds thanks to a business activity. The factors significantly determining NGOs' marketization include action strategies for several years, activity in favor of external benefit takers, close business cooperation, lack of permanent financing sources, and regular activity combined with flexible working time.

Knowing what factors could affect nonprofits' marketization has significant practical implications. It can inform policy-makers, but it is equally

important for nonprofits' managers. Such knowledge is crucial for a healthy development of NGOs operating or intending to be active as social enterprises. This study should be particularly useful in understanding the factors that NGO managers should consider if they intend to make conscious decisions about the direction of their organizations' development.

The present author is aware that the investigated features of those NGOs that conduct or do not conduct an economic activity do not constitute an entire spectrum of the distinguishing characteristics of the two groups of entities. Additionally, the selected and investigated determinants of the marketization of NGOs' activity do not constitute all the causes of these organizations' marketization process. Further empirical investigation might extend and refine this author's theoretical explanations, or provide additional empirical evidence. Efforts are needed to advance knowledge about less thoroughly understood issues of organizational structures and managerial processes. Limitations of this study point to the need for further research to provide additional empirical evidence of the business-like approach. Finally, further research efforts are needed to discover other significant determinants of NGO's marketization, as well as to tackle other, less thoroughly understood, issues related to the effectiveness of NGOs becoming social enterprises.

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## Annex

**Table 1.** Variables examined

<b>NGO conducts/does not conduct a business activity (dichotomic variable, grouping)</b>	
<b>Dependent variables (from M1 to M10)</b>	
<b>Marks on a scale from 1 to 5</b>	
M1	Having development plans, strategies (1 - yes, for a few years ahead, 5 - definitely not)
M2	Detailed revenue and expenditure planning (1 - definitely yes, 5 - definitely not)
M3	Activity within or/and outside its structure (1 - only within, 5 - only outside)
M4	Business cooperation (1 - lack of contact, 5 - frequent and regular contact)
M5	Stability of financial-support sources (1 - very stable, 5 - not stable at all)
M6	Regularity of activity (1 - every day on week days within working hours, 5 - a few times a year or less frequently)
M7	Management style (1 - autocratic, 5 - democratic)
M8	Work flexibility (1 - fixed working hours, 5 - flexible working time)
M9	Mission variability (1 - lack of changes, 5 - numerous changes)
M10	Adjusting policy directions to donors' changing interests (1 - very frequent changes in policy directions, 5 - lack of changes in policy directions)

**Table 2.** Kruksal-Walis and Brown-Forsythe test results

Variable	P	
	K-W	B-F
M1: Having development plans, strategies	0.00	0.01
M2: Detailed revenue and expenditure planning	0.01	0.00
M3: Activity within or/and outside its structure	0.00	0.13
M4: Business cooperation	0.32	0.58
M5: Stability of financial-support sources	0.00	0.22
M6: Regularity of activity	0.00	0.00
M7: Management style	0.46	0.92
M8: Work flexibility	0.00	0.01
M9: Mission variability	0.00	0.01
M10: Adjusting policy directions to donors' changing interests	0.00	0.51

Source: own elaboration and analysis on the basis of a survey data of Klon/Jawor association research on "Condition of the third sector in Poland in 2015"; calculations run in STATSTICA 12.

**Table 3.** Variance analysis

Assessment category	NGOs		Test-F Value	p	Welch-Test Value	p
	conducting a business activity (social enterprises)	not conducting a business activity				
	Average value					
M1: Having development plans, strategies	2.81	2.42	-	-	28.85	0.00
M2: Detailed revenue and expenditure planning	2.91	2.68	-	-	9.49	0.00
M3: Activity within or/and outside its structure	3.00	3.29	14.39	0.00	-	-
M4: Business cooperation	2.48	2.42	1.02	0.31	-	-
M5: Stability of financial-support sources	2.47	2.90	27.81	0.00	-	-
M6: Regularity of activity	2.45	1.57	-	-	221.25	0.00
M7: Management style	3.16	3.09	0.60	0.44	-	-
M8: Work flexibility	2.89	2.76	-	-	8.19	0.00
M9: Mission variability	1.68	1.82	-	-	5.99	0.01
M10: Adjusting policy directions to donors' changing interests	3.90	3.70	7.94	0.00	-	-

Source: own elaboration and analysis on the basis of a survey data of Klon/Jawor association research on "Condition of the third sector in Poland in 2015"; calculations run in STATSTICA 12.

**Table 4.** Parameters of independent variables of the stepwise backward regression model

Independent Variable	Coef	SE Coef	T-Value	P-Value	VIF
Constant	0.1204	0.0205	5.86	0.000	-
M1: Having development plans, strategies	0.01038	0.00340	3.05	0.002	1.07
M3: Activity within or/and outside its structure	0.01007	0.00338	2.98	0.003	1.04
M4: Business cooperation	0.00893	0.00433	2.06	0.039	1.02
M5: Stability of financial-support sources	0.01798	0.00305	5.90	0.000	1.04
M6: Regularity of activity	0.02890	0.00385	7.50	0.000	1.20
M8: Work flexibility	-	0.00460	-3.19	0.001	3.43
	0.01467				

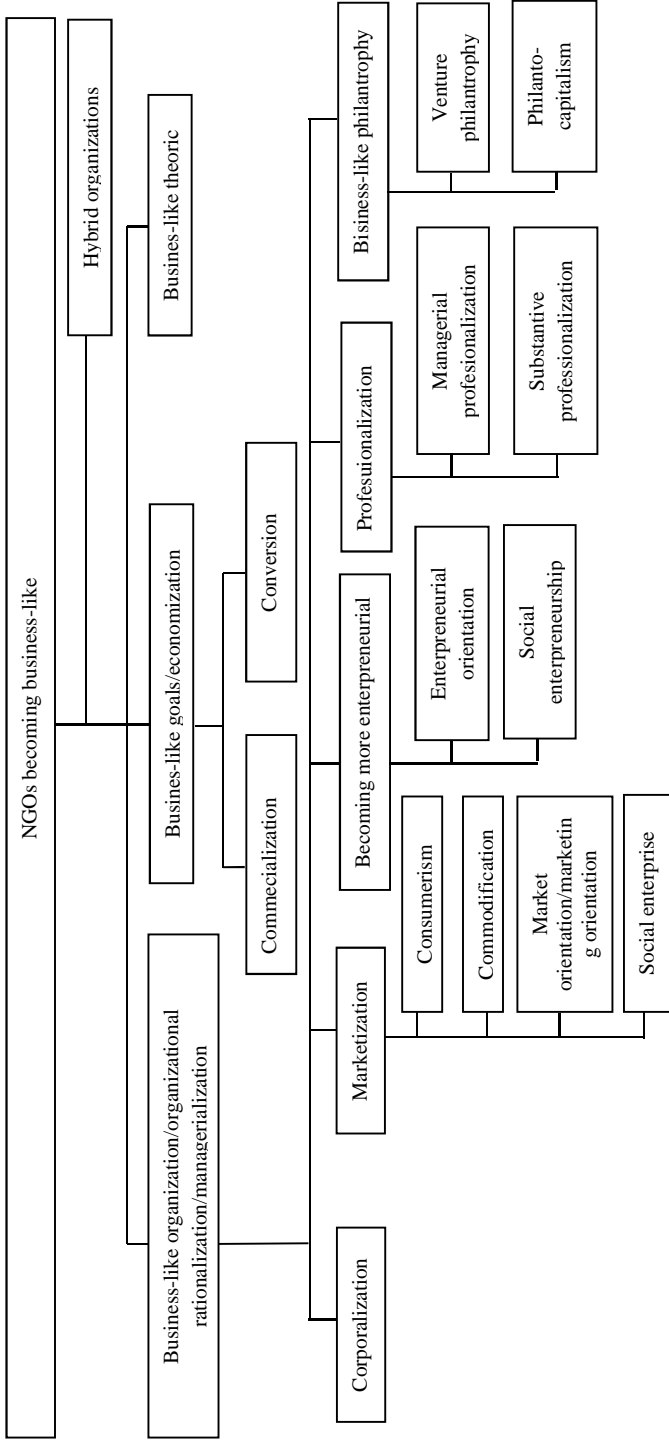
  

S	R-sq	R-sq(adj)	R-sq(pred)
0.298900	7.84%	7.64%	7.33%

Source: own elaboration and analysis on the basis of a survey data of Klon/Jawor association research on "Condition of the third sector in Poland in 2015"; calculations run in Minitab 18.



**Figure 1.** Key concepts in research on NPOs becoming business-like



Source: own elaboration based on Maier *et al.* (2016, pp. 64–86).