Non-profit Organizations in Saudi Arabia: Reforming to Achieve the Kingdom Vision-2030 Goals

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Abstract
Non-profit organizations at global level play a distinctive social and developmental role via providing many social and humanitarian services. At the state level, Saudi nonprofit organizations receive significant financial support from the government, individuals and corporations to enable them to play a vital and active role in the service of Saudi society. However, this role seems to be weak and this weakness is due to insufficient performance of these organizations. Therefore, this study aims to identify the reasons behind insufficient performance of Saudi nonprofit organizations, in order to contribute in solving this problem, in addition to develop the current role of these nonprofit organizations to fit with international best practices to meet the objectives of Saudi Arabia vision 2030. The study has formulated three hypotheses that cause organizations insufficient performance, management practices, funding, and legalization. Data has conducted through questionnaire, interviews, records and observation. Statistical Package of Social Studies (SPSS) has used to test the hypotheses and get results. The results confirmed that, insufficient performance of Saudi nonprofit organization mainly caused by poor management practices, lack of funding, and inadequate legalization. In order to ascertain the real reasons for the insufficient performance of Saudi nonprofit organizations, the study used two methods, the questionnaire and Delphi method. Methods findings confirmed that the causes were identical, and this, in turn, confirms the credibility of the results and thus the importance of research.

Keywords: Nonprofit, Organizations, Vision, Performance, Management, Reforming.

1-Introduction
Saudi Arabia considered as one of the world’s largest donor of humanitarian assistance outside the west countries (Khalid and Nathalie, 2011). For development assistance and aids to Arab and Muslim world, Saudi Arabia is the first leader. Saudi Arabia annual philanthropic giving ranks among the highest in the world, as it ranges between (1.5-2.0%) of its GDP compared to (0.5-1.0%) in most western countries (McKinsey and Company, 2009). Despite this huge financial support of impressive generosity and inspiring, the impact of giving remains weak comparatively with resemble countries. As in a country of about 30 million people, there are 700 registered nonprofit organizations (NPOs); however, there is only one NPO for every 43,000 Saudi citizen. While, there are 3.3 million NPOs in India, or approximately one NPO per 400 Indian citizens (OneWorld.net, 2010). In Russia, there are 227,000 NPOs or approximately one NPO for every 500 Russians (Chicago Tribune, 2008). Clearly, there is ample room for nonprofit organizations, as well as enterprises, to be more active and provide necessary products and services for this sector. Many of the non-profits in the KSA are non-operational, the majority lack a clear mission, and almost all indicate a “lack of funding” as the main obstacle to success. It estimated that only twenty cents of every philanthropic dollar spent in Saudi Arabia reaches the intended beneficiaries and has its intended impact. It is clear that the manner in which Saudi Arabian generosity is distributed, managed, and implemented leaves much to desired. It is belief that successfully building organizations’ capacities will improve the delivery of social services, strengthen education, and bolster entrepreneurship in the community.

1.1 Challenges and Opportunities
The vision of Saudi Arabia 2030, which announced in the April 2016, defined several goals, including charitable, volunteer and philanthropic activities, such as strengthening the social impact of the non-profit sector and increasing its contribution, enabling it to transform towards institutionalization and sustainability through supporting projects and programs with social impact. The vision aims to easy foundation of non-profit organizations to contribute to the rapid growth of the sector, and to continue to promote cooperation between the institutions of the sector and government agencies, stimulate the non-profit sector to implement the standards of good governance, and instill a culture of volunteerism among members of the Saudi society. So Saudi non-profit organizations face many challenges, which headed by the development of the system in accordance with the best international practices in line with the legal, legislative and social environment in Saudi Arabia. Achieving the objectives of the vision to raise the contribution of the non-profit sector in GDP from less than 1% up to 5%, with the contribution of the non-profit sector currently only 0.03% of GDP, which is modest, compared to the global average of 6%. The percentage of charitable projects with a social impact or that match long-term national
development goals is only 7%, and the vision is to reach more than 33% by 2020.

The sector's opportunities represented in the expansion, growth and empowerment of the sector in order to achieve the concept of social investment and its applications. This concept will facilitate the contracting procedures of government agencies with the non-profit sector, in order to achieve the provision of services by the sector. So that this sector constitutes the third pillar of sustainable development complementing the roles of the government sector and the private sector.

2-Literture Review

Nonprofit organizations have been framed different names along the years in different countries. Regardless of how NPOs are called, civil society organization; charities organizations; nongovernment organizations; philanthropic organization; social economy organizations; third sector organizations; voluntary organizations etc. but all shared certain characteristics’ being as common features among them(UNO,2003@4). These characteristics represent in the following:

- The prohibition on the distribution of profits giving them an objective function quite different from that of for-profit corporations.
- Their involvement in the production of public goods.
- A revenue structure that generally includes substantial voluntary contributions of time and money.
- The use of volunteer as well as paid staff.
- Limited access to equity capital.
- Eligibility for special tax advantages in many countries.
- Special legal provisions pertaining to governance, reporting requirements, political participation, and related matters
- The lack of sovereign governmental powers despite their involvement in public goods provision.

The nonprofit organizations play a crucial role in maintaining a healthy civil society; including in fields of culture, the arts, recreation, education, health care, social service provision, development assistance, disaster relief, environment, low, sports, professional associations, humanitarian services, and countless other areas. Yet it is empirically known that a portion of these activities are performed by nonprofit firms, which are particularly important in more advanced economies in sectors such as culture, education and research, health care, social services, religion, advocacy, environmental protection, philanthropy, etc. (Salamon et al., 2003). In 1995, these firms accounted for 6.9 percent of GDP and provided employment to 9.8 percent of economically active population in the US; in the 1995Y1998 period, the respective figures constituted 5.1 and 4.4 percent for the 35 countries covered by the Johns Hopkins Comparative Nonprofit Sector Project (Salamon et al., 2003). Steinberg, 1987, suggested that nonprofit firms might outperform for-profit firms in the production of products generating external benefits, but only to the extent that the sorting and screening mechanisms can ensure that nonprofit firms can employ only motivated decision-makers. Under conditions of globalization, and with the benefit of contemporary communications technologies, NPOs activities are more transnational and international than ever before. As a result, NPOs are now vital actors in the global economy. Their operations represent at least $2.2 trillion (USD) in expenditures annually (Salamon, 2010). In other words, if the non-profit sector were a country, it would be the seventh largest national economy in the world. In turn, NPOs employ some 56 million full-time equivalent workers – an average of 5.6 percent of the economically active populations in the countries for which data is available. In this way, NPOs employment “exceeds the workforce of many sizable industries in these countries, including utilities, construction, transport and communications, and most individual branches of manufacturing” (Salamon, 2010). Regarding the role of NPOs in economic development assistance, Johns Hopkins study, 2012 “Holding the Fort: Nonprofit Employment during the Decade of Turmoil,” indicates that the nonprofit organizations in the US have responded to the aftermath of the 2007-09 economic recession with enormous resilience. Indeed, nonprofit organizations have been “holding the fort” for much of the rest of the economy, creating jobs at a time when other sectors have been shedding jobs at accelerating rates. The research shows that this pattern seen in nearly every state and for most major fields of nonprofit activity (Salamon et al., 2010).

3-Statement of the problem

After close to fifty years of its foundation, Saudi NPOs performance is insufficient and tend to be weak due to many factors, heading by poor management practices. The weakness features represents in the followings:

A-Downfall of contribution in national GDP, share to less than 1%
B-Decline of volunteers involving in NPOs activities.
C-Lower rate of NPOs outreach, rate is 1: 43,000 citizen.
D-Limit scale of professionalism and effectiveness.
E-Focusing on “charity” instead of social development.
F-Lower rate of employment contribution.
**4-Objective of the study**

The main purpose of this study is to assess the impact of management practices and other factories such as financing and legalizations on Saudi NPOs performance, in order to identify options for new management approach practices to empower the NPOs, to achieve the kingdom vision-2030 goals.

**4.1-Research hypothesizes**

To attain the objectives of the study, the following research hypothesizes have been set based on the revelation in the review of literature concerning generally the relationship between management practices capabilities, financing, and legalization, and NPOs performance.

- **Hypothesis 1**
  - There is strong relationship between management practices capabilities and NPOs performance.
- **Hypothesis 2**
  - There is strong relationship between the financing capability and NPOs performance.
- **Hypothesis 3**
  - There is strong relationship between the legalizations capabilities and NPOs performances.

**5-Methodology**

The importance of NPOs is obvious. However, the mobility of NPOs mirrors the community capacity respond rapidly to its needs. Therefore, to assess the NPOs roles, this study aimed to collect sufficient data. Data collection has conducted from primary and secondary resources. The secondary data resources were library researches, published material and worldwide web. While primary data was collected via two ways, Delphi method and questionnaire method. Using the two method objects to assure to what extents, the findings are coincided.

**5.1 Delphi Method**

King Fahd University organized a series of workshops on the problems and obstacles of the non-profit sector, the latest of which was at the end of the previous year. The workshop addressing the challenges facing NPOs to play effectively its roles in Saudi society. Participants were experts in management and social work. The workshop used Delphi method as the best source of information regarding diagnosing and treating insufficient performance and malfunctions of Saudi NPOs, vested in experts who are familiar with projects in the same environment (development or expanding of social activities).

The objectives of the Delphi survey were to determine:
- The main causes of NPOs insufficient performance.
- Criteria for Saudi NPOs reforming project success.
- Whether these criteria would addressed and resolved by implementing new management strategy approach.
- Whether the discipline that approach would resolve the major causes of current failure of NPOs.

Delphi method technique ensures that each member of a panel of experts first deals with the complex problem individually. After each round of the survey, their individual, anonymous judgments collated by the facilitator and presented to the panel. During subsequent rounds, panel members can reconsider their judgments in order to improve the quality of the information. This is especially useful when the problem does not lend itself to precise analytical techniques (Crichter & Gladstone, 1998). Supporters of the Delphi method argue that it deals with areas that do not lend themselves to traditional scientific approaches (Mullen, 2003). Helmer (1977: 18) argued that futures analysis, one of the major applications of Delphi, ‘is inevitably conducted in a domain of what might be called “soft data” and “soft laws”. The validity of a Delphi study based on reasoned argument and can further strengthened by involving participants who have knowledge and interest in the topic at hand (Cantrill, Sibbald & Buetow, 1998). The required size of a Delphi panel is a debatable issue in literature, but generally, the acceptable size should range between seven members as minimum and thirty as maximum. Criteria of panel members including an experience of working with NPOs management projects, within at least ten years’ experience in the social development area, and involvement with NPO management practices.

Based on these criteria, twenty experts invited to take part in the Delphi survey. All had experience of NPO management, two are professors in anthropology, five are assistant professors in management, three have master’s degrees; and ten have been directly involved with NPOs management. In total they have combined, relevant experience of approximately 150 years. Regarding data gathering process, out of twenty individuals who invited to participate in the study, eighteen members participated within rate of (90%), which considered an acceptable response rate, since a minimum response rate of 70% is required. Response rates graded from 8% as being ‘unacceptable’ to 100% as being ‘excellent’ (Van Niekerk and Steyn, 2011). The participation rate was 87% for the first round and 75% for the second round. In the first round, the consensus mostly reached for all
questions. Second round questionnaire involved the result and explanations of the first round. Likert scale used to get the panel final agreement or disagreement.

5.2 Questionnaire Method
Questionnaire designed to measure the capability roles of Saudi NPOs work in the country. Questionnaire formulated based on three main independence variables affecting Saudi NPOs’ efficiency and effectiveness, which were management practices, funding size, and legalization system. Dependent variable was Saudi NPOs performance. The study generally displayed the NPOs activities over fifty years, focusing on the last ten years. Total of (100) questionnaire distributed to main top ten NPOs management staff, (77) returned with response rate of (77%). Some of retuned questionnaire excluded due to incomplete information. As result (70) questionnaire considered as valid for test. Overall (30) questions were developed to be answered based on Five Points Likert Scale (one= strongly disagree to five= strongly agree) as it is considered to be an easier approach to collect data (Yu and Egri 2005). Reliability test is conducted based on Cronbach Alpha to measure internal consistency of questionnaire, results was fall between (0.72) and (0.82), which is valid value, because satisfactory should be more than (0.60) for the scale to be reliable (Malhotra 2002). The overall Cronbach alpha of all scales used in this study was (0.77).

6-Findings and Discussion
Regarding Delphi process, the panel consensus reached on the following:
-NPOs current situation is miserable and required immediately reforming.
-Refoming of NPOs project would be more successful when a phased approach (potential study, pre-feasibility study, feasibility study and implementation) followed versus when it is not.
- NPOs reforming project would be more successful when it proceeds through a structured review and approval process before and after each phase.
-Further unanimously agreed that NPO rehabilitation project would be more successful when a proper project management approach (all knowledge areas, phased approach with reviews and approvals after each phase) is followed than when it is not.
-Unanimous consensus reached regarding the human influence on the outcome of resettlement projects in terms of perceptions, politics, cultural norms, greed and behaviors. Regarding the reasons why NPOs have failed to play their roles effectively, the panel mentioned the five main causes of insufficient performance are poor management practices, social paradigm, under financing; antiquate legalization, and economic recession (table-2). The two most important reasons selected by all the survey participants were, poor management practices (related to management knowledge areas), and social paradigm of perceptions, cultural norms, greed and behaviors (i.e. reasons related to human nature).

Regarding questionnaire, as per table-3, the demographic statistics of respondents’ shows that, all respondent were male, this may be due to male domains on NPOs management and some taboos that limit the female contribution on such activities. Regarding respondents qualifications, (65%) were possessing B.Sc degree, (12%) M.sc degree, (18%) diploma degree, and only (5%) holding Ph.D. degree, this indicates that most of respondents are highly educated. Experience years vary from more than one year up to extra than fifteen years; more than (75%) of respondents have more than five years’ experience, and this reinforce the respondent’s well capability to understand the impact of management practices on NPOs performance.

Descriptive statistics as mentioned in table-3, shows mean scores, standard deviations, and correlations of the study variables. Management practices shows the higher significant correlation with the organizations performance, followed by funding size, and ending by legalization systems, scoring 0.81, 0.76, and 0.64 respectively. Management individual practices, planning, organizing, leading, and controlling show the higher significant correlations, planning shows the highest rating of coefficient correlation (0.89), within highest mean and standard deviation rating (M=0.87, SD=0.88). This because planning is the prior leading practice in management functions, and all others management practices build on it. More than 70% of respondents declared that they never implement any strategic planning practices in their work. Regarding the correlation between funding size and organizations performance, it shows moderate significant coefficient rate of (0.76), within mean and standard deviation of (M=0.75, SD=0.71). The government subsides scored the highest correlation among funding others individual variables, rating (0.91), because it may represents the highest main source of financing to Saudi nonprofit organization.

The correlation between legalization systems and organization performance, shows lower significant coefficient rate of (0.64), within mean and standard deviation of (M=0.74, SD=0.69). Both national laws and domestic regulation of NPOs show lower significant correlations rating of (0.63) and (0.65) respectively, this may referred to respondents full involving on micro issues of their NPOs, neglecting the impact of legalization system on macro scene of the NPOs sector.

The findings of the research show the correlations that calculated for testing the hypotheses, and the test
results of these hypotheses lead to accomplish the objectives of this study.

Correlation coefficient is a very useful way to summarize the relationship between two variable with a single number that falls between -1 and +1. -1.0 indicates a perfect negative correlation, 0.0 indicates no correlation, and +1 indicates a perfect positive correlation. Welkowitz, Cohen and Ewen (2006). It is clearly obvious noted that, the reasons for insufficient performance of NPOs (management practices, financing, and legalization), of the two methods were identical, but the Delphi method added two other variants (social paradigm and economic recession).

6.1 Hypotheses testing
First hypothesis stated that, there is strong relationship between management practices capabilities and NPOs performance. Findings show a higher significant positive correlation between management practices capabilities and NPOs performance in Saudi Arabia. This due to the value of the correlation which is 0.81 and it is statistically significant at the level of α = 0.05, within standard deviation less than 1.00 refers to the concentration of the answers and lack of dispersion.

Second hypothesis stated that, there is strong relationship between the financing capability and NPOs performance. Findings show a moderate significant positive correlation between financing capability and NPOs performance in Saudi Arabia. This due to the value of the correlation which is (0.76) and it is statistically significant at the level of (α = 0.05), within standard deviation less than 1.00 refers to the concentration of the answers and lack of dispersion.

Third hypothesis stated that, there is strong relationship between the legalizations capabilities and NPOs performance. Findings indicate a moderate significant positive correlation between financing capability and NPOs performance in Saudi Arabia. This due to the value of the correlation which is (0.64) and it is statistically significant at the level of (α = 0.05), within standard deviation rating less than 1.00 refers to the concentration of the answers and lack of dispersion. So that the hypotheses test confirms that, there is a significant correlation between management practices, financing, legailizations, and Saudi nonprofit organization performance.

The results of the research show that Saudi nonprofit organizations suffer from several problems; most notably is the weakness of management practices resulting from the fact that most of NPOs are lack of clear guiding statement; vision, mission, and values. In addition to lack defined goals and objectives. Majority of those working in these organizations are not specialists and they rely on their own experience, in addition to their lack of training courses. On the funding side, most of these organizations complain from poor funding and have no permanent or self-sustaining funding sources, as they rely on government subsidies and supports of some philanthropists. As for legislative legislation, it has some shortcomings because it limit the establishment of new organizations and does not allow nonprofit organizations either to work on an economic bases or to receive any foreign support.

Conclusion and recommendation
The paper aims was to know the main causes behind the insufficient performance of Saudi nonprofit organizations. The research subject to examine the impacts of management practices, finance, and legalization on the performance of these organizations. The result of the study showed that the three factors positively correlated with Saudi nonprofit organizations performance. Despite these findings, but the researcher think that other causes may play role in performance retardation of these organization. So big thinking is required to reform completely the social development sector in Saudi Arabia kingdom, changing the mindset of nonprofit organizations from charity to social development via effective and efficient organizations work on economic bases for nonprofit.

The research recommendation focus on providing an action plan tackling issues of legislation, management, monitoring and assessing, follow-up and evaluation. For legislation, the responsible authorities must issuing legislations that activate and flourish the non-profit organizations sector to achieve their lofty goals, and several other objectives sought by the vision of the Kingdom. In addition to develop the regulatory environment for the sector, contributing to increasing national output, providing job opportunities and reducing unemployment. Legalizations have to permit and promote the Saudi NPOs to operate on an economic base, as if as business firms, but not targeting for profit maximization, which leads these organizations to work with strategic and competitive plans to ensure stable financial returns. In addition to the government support, in terms of assigning some contracts of small projects to these nonprofit organizations.

As for the management, organizational reform is required to explain the structure of the performance of social responsibility and the associated work mechanisms. In addition to the implementation of strategic planning practices to develop annual operational plans to achieve vision objectives. Besides attracting, developing and retaining professionals and qualified individuals, of high ability to initiate and activate the operating plans.

Monitoring and assessment is required to determine the performance of organizations through the
development of assessing classification standards, including financial discipline, transparency, accountability, governance, results and more. As well as other standards which govern the evaluation process and establish a context for comparing non-profit organizations to each other, such as the size of the organizations, their geographical regions and the areas in which they operate. As for the follow-up and evaluation of the performance of the non-profit organizations, the responsible bodies, headed by the Ministry of Labor and Social Affairs, should establish an advanced system to classify, monitor and evaluate the performance of these organizations to know their financial resources, their contribution to development and future projects. The system should also provide adequate information to regulator authorities and non-profit organizations and public. The system should serve as a leading tool to adherence to best practices in assessing standards, due to redistribution of resources in the sector according to efficiency and effectiveness, thereby enhancing competition among NPOs in terms of services quality and programs. Despite these huge challenges and constraints that facing Saudi nonprofit organizations, but there is great intention and enthusiasm to overcome them by support of all Saudi Arabia nonprofit organization stakeholders.

References


### Appendix

#### Table 1: Demographics of the respondents (70)

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sex</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>70</td>
<td>100%</td>
</tr>
<tr>
<td>Female</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Level of education</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diploma</td>
<td>12</td>
<td>18%</td>
</tr>
<tr>
<td>B.sc</td>
<td>46</td>
<td>65%</td>
</tr>
<tr>
<td>M.sc</td>
<td>08</td>
<td>12%</td>
</tr>
<tr>
<td>Ph.D.</td>
<td>04</td>
<td>05%</td>
</tr>
<tr>
<td><strong>Years of experience</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 5 years</td>
<td>15</td>
<td>21%</td>
</tr>
<tr>
<td>5-9 years</td>
<td>32</td>
<td>46%</td>
</tr>
<tr>
<td>10-14 years</td>
<td>13</td>
<td>19%</td>
</tr>
<tr>
<td>15 year and more</td>
<td>10</td>
<td>14%</td>
</tr>
</tbody>
</table>


#### Table 2: Summary of effects of NPOs insufficient performance and their causes

<table>
<thead>
<tr>
<th>No.</th>
<th>Causes</th>
<th>Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Poor planning</td>
<td>Poor individuals are worse off, government is inheriting long term cost, and missed opportunities of national park activities</td>
</tr>
<tr>
<td>2</td>
<td>Social paradigm</td>
<td>Society mindset &amp; perception concentrates the roles of NPO on “charity”, prevents creation of vibrant social development sector.</td>
</tr>
<tr>
<td>3</td>
<td>Under financing</td>
<td>New poverty that leads to joblessness, homelessness, food insecurity, and increased health risks.</td>
</tr>
<tr>
<td>4</td>
<td>Antiquated legalization</td>
<td>Deactivates the NPOs to achieve their goals, limits scale of professionalism &amp; activeness, and minimizing NPO activates diversifications.</td>
</tr>
<tr>
<td>5</td>
<td>Economic recession</td>
<td>Conversely, social allowance and safeguards tend to cut short, or bypassed, when there is simultaneous pressure for high priorities projects.</td>
</tr>
</tbody>
</table>


#### Table 3: Correlation between variables and NOPs Performance

<table>
<thead>
<tr>
<th>Variables</th>
<th>Correlation</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Practices</td>
<td>0.81</td>
<td>0.79</td>
<td>0.73</td>
</tr>
<tr>
<td>-Planning</td>
<td>0.89</td>
<td>0.87</td>
<td>0.88</td>
</tr>
<tr>
<td>-Organizing</td>
<td>0.82</td>
<td>0.79</td>
<td>0.79</td>
</tr>
<tr>
<td>-Leading</td>
<td>0.79</td>
<td>0.73</td>
<td>0.64</td>
</tr>
<tr>
<td>-Controlling</td>
<td>0.73</td>
<td>0.77</td>
<td>0.61</td>
</tr>
<tr>
<td>Funding size</td>
<td>0.76</td>
<td>0.75</td>
<td>0.71</td>
</tr>
<tr>
<td>-Government subsides</td>
<td>0.91</td>
<td>0.85</td>
<td>0.76</td>
</tr>
<tr>
<td>-Private finance</td>
<td>0.73</td>
<td>0.77</td>
<td>0.72</td>
</tr>
<tr>
<td>-Endowment</td>
<td>0.65</td>
<td>0.63</td>
<td>0.65</td>
</tr>
<tr>
<td>Legalization Systems</td>
<td>0.64</td>
<td>0.74</td>
<td>0.69</td>
</tr>
<tr>
<td>-National laws</td>
<td>0.63</td>
<td>0.70</td>
<td>0.67</td>
</tr>
<tr>
<td>-Domestic regulations</td>
<td>0.65</td>
<td>0.77</td>
<td>0.70</td>
</tr>
</tbody>
</table>

Source: Survey data-2017