Exploring Stakeholder Management in Nonprofit Organizations: The Case of Japanese NPOs

Keywords: stakeholder theory, management of nonprofit organizations, strategic management

Introduction

Non-profit organizations play a vital role in contemporary society. While their specific activities vary, their mission is primarily to address social issues. These include elderly care, education, community building, environmental restoration, human rights protection, and poverty alleviation.

However, nonprofit organizations are experiencing a period of turbulence. The rapidly changing environment brought on by the economic downturn, recent government policy changes, and increased competitiveness with other sectors is threatening nonprofit organizations’ effectiveness and uniqueness (Salamon, 1997:420-432, Anheier, et al.,2001:2-3). The way in which nonprofit organizations handle these external environmental changes is a major key in their success going forward (Letts et al., 1999:2).

In the for-profit world, stakeholders have been recognized as an important factor in dealing with the changing environment, and utilizing stakeholders in management has been found to be one of the most effective strategies for an organization’s success (Freeman,1984:44, Post et al.,2002:60-64). Likewise, for nonprofit organizations, whose activities both affect and are affected by many stakeholders – including governments, industries, local communities, and even future generations – stakeholders constitute an important element of management (Rainey, 1997:38, Anheier, 2005:228, Bryson, 2004a:35, Niven, 2008:140-141).

The existing literature on stakeholder relationships in the nonprofit sector suffers from significant limitations. Up until now, stakeholder theory has focused primarily on for-profit enterprises, whereas literature on stakeholder theory from the perspective of nonprofit organizations is scant (Bryson, 2004b:47. LeRoux, 2009:161). However, given the importance of developing nonprofit organizational management theory, assessing stakeholder management and its relation to the ability of a nonprofit to survive turbulent periods is critical. To try and resolve this limitation, the research presented in this paper applies stakeholder theories developed in for-profit management theory by focusing them on the stakeholder management capability of an organization in general, whether for-profit or nonprofit.
By using data collected from 848 nonprofit organizations in Japan, the research conducts a preliminary analysis on the state of stakeholders in nonprofit organizations, and determines elements that are correlated with stakeholder management capability.

1 **Theory and Hypotheses**

The definition of stakeholders in nonprofit organizations is not as controversial as for-profit organizations, for which there are fifty-five definitions (Friedman et al., 2005:4 - 13)\(^1\). Stakeholders in nonprofit organizations are, “people or organizations that have a real, assumed, or imagined stake in the organization, its’ performance, and its’ sustainability” (Anheier, 2005:227), also, “any person, group or organization that can place a claim on the organization’s attention, resources, or output, or is affected by that output” (Bryson 1995: 27). In general, definitions of stakeholders in nonprofit organizations are broad and inclusive (Nutt and Backoff 1992:439, Werther et and Berman, 2001:16, Bryson, 2004:22, Niven, 2008:141, ).

In previous literature, stakeholder management of nonprofits has been discussed mainly in the strategic management framework (Werther and Berman, 2001:52, Bryson, 2004b:35, Anheier, 2005:228, , Niven, 2008:140-141,). Originated in 1960s, strategic planning/management\(^2\) has been used across sectors, including the nonprofit sector. Its principle notion is that it is, “a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization (or other entity) is, what it does, and why it does it” (Bryson, 2004a:6).

In strategic management, stakeholder analysis plays a crucial role in creating mission statements and generating effective strategies. Because a key to success for nonprofit organizations is the satisfaction of key stakeholders (Bryson 2004a:47), nonprofit missions and strategies need to attend to the interests and values of these influential stakeholders.

So who are these key stakeholders and how should organizations identify their interests? Previous studies provide multiple methods of stakeholder analysis, including: “power versus interest grid” (Eden and Ackermann, 1998:122), “stakeholder issue position”, and “stakeholder importance”(Nutt & Backoff 1992:440-441).

While these methods provide a useful tool for an organization engaged in strategic management, the focus is mainly from an organizational point of view and often highly technical. Because of this, there exists the absence of a holistic perspective. What these methods lack is, “evidence indicating that stakeholder analyses do help produce desirable outcomes” (Bryson 2004b:47). In other words, although the importance of stakeholders has been established in various literature, evidence to connect stakeholder management to an organization’s performance is limited. On the other hand, in for-profit management theory,

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\(^1\) Part of the reasons of the many definitions are; (1) the word “stakeholder” has become very popular and used in various contexts, (2) disputes over normative and strategic view of the stakeholders (Friedman et al., 2006 :4 - 13)

\(^2\) According to Freeman (1984), there has been a conceptual shift from “strategic planning” to “strategic management” The latter is more preferable because it is more action orientation(44). However, for nonprofit organization management theory, the two are used in not clearly separated way.
much work has done to identify the links between stakeholder management and organizational performance using various indicators (Freeman et al., 2010:90-104). Filling this theoretical gap entails several steps. It requires a framework to assess stakeholder management ability. It also involves evaluating various factors that may influence stakeholder management ability, which yields valuable insights into the barriers that hinder the cultivation of these abilities. Based on this information, the relationship between stakeholder management ability and organization performance can be measured.

To develop a framework for stakeholder management ability, stakeholder theory of for-profit organizations can be utilized. In for-profit management theory, stakeholder concepts³ have been developed since the 1960s, primarily through adaptation into various management frameworks. Such frameworks include Corporate Planning, System Theory, Corporate Social Responsibility, and Organization Theory (Freeman, 1984:31-43).

However, strategic management, which is considered as the mainstream of management framework today (Otsuki et al., 2008: 214), solicits stakeholders’ potential best outcomes. In strategic management, stakeholders yield vital information on how organizations can form and align with the external environment (Freeman, 1984:44, Post et al, 2002, Freeman et al, 2010:89). Although the theoretical focus of strategic management has shifted from time to time (Furrer et al., 2007:15), external environment has always been an important element in the theory (Freeman et al., 2010:88-89⁴).

To assess the holistic potential of stakeholder management, the framework “Stakeholder Management Capability (SMC)” by Freeman (1984: 52-80) can be effectively employed⁵. SMC constitutes, “one of the more influential and transactional frameworks for understanding and leveraging stakeholder relationships” (Zakhem, 2008:395). According to Freeman, SMC consists of three levels: rational, process, and transactional. The rational level indicates the identification of stakeholders – who are the stakeholders and what are their individual stakes. Process entails how organizations manage their relationships with stakeholders. Transactional represents how an organization transacts and bargains with stakeholders. In an organization with high SMC, these three levels need to link intimately to each other (Freeman, 1984:53).

Although SMC is a useful concept that provides the basic idea of the stakeholder management capability for an organization, it does not indicate the elements of each level. Assessing the total capability of stakeholder management requires indicators for measurement. With this aim, this paper proposes the following criteria to measure SMC

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³ “Stakeholder concept” originally defined as “those groups without whose support the organization would cease to exist” (Freeman, 1984:31)
⁴ It is interesting that the management theories of for-profit and nonprofit organizations “meet” at strategic management theory, with stakeholder importance common in both. When compared, for-profit strategic management emphasizes stakeholders more intensively as a medium to align organizations with the external world than nonprofit organizations do.
⁵ Freeman has been recognized as a” founder” of modern stakeholder theory in for-profit management (Friedman and Miles, 2006:25, Mizumura 2008:96, Lapume et al., 2008:1152-1153)
With the model, the paper rephrases “levels” as “dimensions”, “rational” as “the scope of stakeholders”, and “process” as “stakeholder influence to the management” for better clarification.

Within the model, each dimension consists of three levels [Table 1]. The basic idea of level categorization is as follows: In the “scope of stakeholders” dimension, perspective on sources of organizational competitiveness developed in for-profit organizations is useful; in the “transactional” dimension, the level is measured by degree of interactions. In the “stakeholder influence on the management” dimension, the level is measured by the area of management in which stakeholders have impacts. Detailed explanations on each dimension follow.

**Table 1 Stakeholder Management Capability Criteria**

<table>
<thead>
<tr>
<th>Dimension Level</th>
<th>A: Scope of stakeholders</th>
<th>B: Transactional</th>
<th>C: Stakeholder influence on the management</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Resource Based View (RBV)</td>
<td>One-way transaction</td>
<td>Task Control</td>
</tr>
<tr>
<td>2</td>
<td>Industry Structure View (ISV)</td>
<td>Two-way transaction</td>
<td>Management Control</td>
</tr>
<tr>
<td>3</td>
<td>Stakeholder View (SHV)</td>
<td>Multi-way transaction</td>
<td>Strategy formation</td>
</tr>
</tbody>
</table>

**A: Scope of stakeholders**

The levels within the rational, or scope of stakeholders, dimension consist of: (1) Resource Based View – which focuses on “internal” stakeholders; (2) Industry Structure View – which focuses on the external environment, but is limited to their scope within the industry infrastructure; and (3) Stakeholder View – which encompasses the wider social, economic, and political arena. These three dimensions are based on Post, et al., who emphasizes that for an organization to succeed, both internal and external alignment are indispensable and that SHV must include all stakeholders that the organization needs to address (2002:53-55).

As the levels progress from 1 to 3, the scope of the stakeholder gets broader. Considering the broad inclusiveness of a nonprofit organization’s stakeholders, level three consists of the highest SMC in dimension A.

**B: Transactional dimension**

In the transactional dimension, the levels consist of: (1) one-way transactions such as briefing sessions and leaflets; (2) two-way transactions such as workshops and questionnaires; and (3) multi-way transactions such as constructive dialogues, joint projects,
and lobbying. The three levels exist simultaneously, and there is no good or bad within each individual level. If considered separately, level 1 exemplifies bad practice (Friedman & Milles, 2006:163). As the levels go from 1 to 3, the relationship between the organization and stakeholder draws closer, with level three representing the highest SMC.

**C: Process dimension (Stakeholder influence on the management)**

In the process dimension, the levels consist of: (1) task control such as day-to-day activities; (2) management control level, which includes activities towards accomplishing missions and goals; and (3) the strategic level that forms the basic direction of the organization, including mission stating, vision setting and long-term organizational planning. In strategic management, the stakeholder is the medium to align organizations with the external environment and to optimize direction matching between organizational visions and external environments. Therefore, if an organization’s stakeholder management is level three, it indicates their SMC is high.

While each level is important from an organizational management point of view, from the SMC point of view, level three is considered to be the highest level of SMC followed by level two. This is because these levels are wider, more interactive, and consider stakeholder relationships to be at the core of organizational management.

Figure 1 illustrates the Model. The intimately linked levels are represented as three different dimensions. An organization’s stakeholder management capability is located somewhere within the cube formed by the three axes.

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6 Based on Friedman and Milles, 2006: p.162 Figure 6.2 “A ladder of stakeholder management and engagement”

By utilizing the Model, this paper attempts to assess the factors correlated with stakeholder management capability at nonprofit organizations. There are multiple factors that may correlate with SMC. Following are examples of these factors.

Even though organizational size does not necessarily guarantee high management capability, it suggests that the more staff members there are, the more stakeholders they can attend to. Likewise, larger revenue and income indicates that they have the resources to conduct multiple and more extensive programs and that they have broader stakeholder representation.

According to the “Evaluation Criteria to Measure Excellent NPO” (2010), efforts to distribute information on their mission in activities reports is one of the key criteria to being an excellent nonprofit organization (Excellent NPO wo Mezasou Shiminkaigi [Citizens' Conference for Excellent NPO] :48). Nonprofit organizations need to distribute organizational information to gain continuous trust from society-at-large. From management’s point of view, having a clear mission helps to discern stakeholder groups that are significant to the organization (Werther& Berman, 2001:6) Therefore, greater information dissemination capability may correspond with an increased ability to accommodate various stakeholder interests.

Diversifying revenue sources is vital to maintaining an organization’s financial sustainability. Dependency on one revenue source poses higher risks (Citizens' Conference
for Excellent NPO, 2010:72). Having multiple revenue sources may indicate multiple stakeholders involved in each source.

NGOs are categorized as operational, advocacy, or network organizations according to function (Kunugi, 2006:10-14). In general, operational organizations provide service and support for clients. Advocacy organizations address social problems and influence governments and other entities with the aim of stimulating policy changes. Network organizations function to enhance cooperation between organizations, engage in capacity building, exchange information, and provide funding. These functions may affect organizational management, including SMC.

Some nonprofit organizations work only in limited areas while others have broader representation. The broader a nonprofit organization’s activity areas the more likely they are to attend to a variety of stakeholders, which may result in higher SMC.

Lawrence, P. & Lorsch’s (1967) analysis of changes in external environment has made a great impact on the structure of organizations. At its origin, the stakeholder theory was meant to cope with external environments in “turbulent times” (Freeman, 1984). Alignment of an organization’s internal core must be consistent throughout strategy, structure, and culture, and external environment is critical for the success of an organization in these areas (Post et al., 2002:62). In addition, the success of a nonprofit organization depends on how well it is externally justified. Its legitimacy is manifested through societal justification of its activities (Bryson, 2004b:94). Therefore, when nonprofit organizations experience external “turbulence,” – such as is the case for many organizations today – their SMC may be enhanced in order to cope with these increases in turbulence.

These assumptions on SMC’s relationship with size of organization, information distribution ability, diversity of revenue sources, activity type, geographical scope of activities, and external environment are summarized in the following hypotheses:

- Organizational size and SMC have a positive correlation.
- Information dissemination capability and SMC have a positive correlation.
- Diversity of income sources and SMC have a positive correlation.
- The category of activity a nonprofit organization undertakes and SMC have a positive correlation.
- Geographical range of activities and SMC have a positive correlation.
- Change in the external environment and SMC have a positive correlation.

2. Research Methods

Data Collection
To test these hypotheses, an online survey for Japanese nonprofit organizations was conducted in March 2011. A database of nonprofit organizations overseen by “Japan NPO

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8 The online survey was conducted by a software called “Qualtrics”
<http://www.qualtrics.com>
Center" was used to collect email address. Requests were sent to 5177 organizations and responses obtained from 848 nonprofit organizations (including partial responses) with a return rate 16.4%. 94% of the responses were from Incorporated NPOs while 5% were from Approved Specified Nonprofit Corporations with tax-exemption

**Variables**

**Stakeholder Management Capability Index**

To measure the stakeholder management capability, Stakeholder Management Capability Criteria (Table 1) was used. A respondent selected individuals and organizations that maintained a relationship with the organization. Then the respondent categorized these organizations in accordance with the Table 1 levels [Appendix 2]. Using weight carried by the responses (level 1=1 point, level 2=2 points, level 3=3 points), the stakeholder management capability indexes were calculated for each group.\(^9\)

Data collection for other variables listed in Table 2.

**Table 2 Variable and data collection**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Data collection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization size</td>
<td>Number of board members, auditor, members, staff, and volunteers</td>
</tr>
<tr>
<td></td>
<td>Income and expenditure (FY 2009)</td>
</tr>
<tr>
<td>Information dissemination</td>
<td>Written mission (yes/no)</td>
</tr>
<tr>
<td>capabilities</td>
<td>Production of financial and activities report at regular interval</td>
</tr>
<tr>
<td></td>
<td>Number of distribution channels</td>
</tr>
<tr>
<td>Revenue source diversity</td>
<td>Number of revenue sources (categorize by funders: i.e. membership fee, donation, government/municipal, government subsidiary, and commission work)</td>
</tr>
<tr>
<td>Activity type</td>
<td>Advocacy, operational, network (choose primary focus if multi-function)</td>
</tr>
<tr>
<td>Geographic scope of activities</td>
<td>Domestic or International</td>
</tr>
<tr>
<td></td>
<td>One prefecture, multiple prefectures, nationwide, international</td>
</tr>
<tr>
<td>Changes in external environment</td>
<td>PEST analysis: Number of external environment changes from political, social, economic and technical fields. The higher the number of external environmental factors affecting an organization, the more changeable (and unstable) the external environment for the organization.</td>
</tr>
</tbody>
</table>

\(^9\) Japan NPO center &lt;http://www.npo-hiroba.or.jp&gt; [Last accessed :August 13 2011]

\(^{10}\) For the concept of indicator calculation, I used *Administrative comparison investigation data of nationwide municipal district by* Nikkei Inc. Research Institute of Industry and Regional Economy, 2006 as a reference.
3. Results

Japanese nonprofit organizations that responded to the survey have relationships with various individuals and entities. [Appendix 1] According to the number of stakeholder individuals/groups chosen, board members represent the largest category, followed by members and auditors. There are also internal stakeholders, which among all the stakeholders identified by respondents (board, auditor, employee, volunteer, and member) accounted for 37%.

SMC indicators assessed the correlation between SMC and various factors and the independent variables are described in Tables 1 and 2. Given the preliminary nature of this analysis, correlation analysis and difference in means t-test were used to assess the hypotheses between SMC and other factors.

Table 3 Descriptive statistics and correlation matrix

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>s.d</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 SMC Index</td>
<td>52.86</td>
<td>29.73</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 SH group</td>
<td>10.10</td>
<td>4.70</td>
<td>.797**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Revenue</td>
<td>3095132.83</td>
<td>2477392.47</td>
<td>.133**</td>
<td>.150**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Expenditure</td>
<td>26850626.84</td>
<td>48855452.96</td>
<td>.220**</td>
<td>.264**</td>
<td>.146**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Board, employees</td>
<td>17.82</td>
<td>15.09</td>
<td>.139**</td>
<td>.185**</td>
<td>.139**</td>
<td>.621**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Volunteer</td>
<td>191.04</td>
<td>1700.19</td>
<td>-0.037</td>
<td>-0.076</td>
<td>-0.009</td>
<td>.247**</td>
<td>.117*</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 Member</td>
<td>227.96</td>
<td>1051.97</td>
<td>-0.036</td>
<td>-0.006</td>
<td>0.025</td>
<td>.233**</td>
<td>.138**</td>
<td>.658**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Info dissemination channel</td>
<td>2.41</td>
<td>1.49</td>
<td>.210**</td>
<td>.258**</td>
<td>.115**</td>
<td>.196**</td>
<td>.169**</td>
<td>-.014</td>
<td>.082*</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 Revenue sources</td>
<td>3.68</td>
<td>1.75</td>
<td>.429**</td>
<td>.527**</td>
<td>.209**</td>
<td>.293**</td>
<td>.233**</td>
<td>-.015</td>
<td>0.039</td>
<td>.311**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>10 Environment</td>
<td>4.74</td>
<td>3.23</td>
<td>.424**</td>
<td>.454**</td>
<td>0.051</td>
<td>.213**</td>
<td>.193**</td>
<td>0.017</td>
<td>0.008</td>
<td>.219**</td>
<td>.340**</td>
<td>1</td>
</tr>
</tbody>
</table>

*P<0.10; **p<0.05

Table 4 Difference in means t-test

<table>
<thead>
<tr>
<th>Category</th>
<th>N</th>
<th>SMC Index (Mean)</th>
<th>s.d</th>
<th>t</th>
<th>Significance Probability (two-tailed test)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Written Mission</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>619</td>
<td>53.35</td>
<td>29.911</td>
<td>1.202</td>
<td>0.041602479</td>
</tr>
<tr>
<td>No</td>
<td>24</td>
<td>40.75</td>
<td>21.824</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activity report</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>510</td>
<td>54.40</td>
<td>29.862</td>
<td>2.395</td>
<td>.017</td>
</tr>
<tr>
<td>No</td>
<td>132</td>
<td>47.47</td>
<td>28.658</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activity Type (1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advocacy</td>
<td>116</td>
<td>51.18</td>
<td>28.192</td>
<td>-2.673</td>
<td>0.008</td>
</tr>
<tr>
<td>Others</td>
<td>261</td>
<td>60.08</td>
<td>30.552</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activity Type (2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational</td>
<td>396</td>
<td>55.16</td>
<td>30.658</td>
<td>1.050</td>
<td>.294</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Activity Type (3)</th>
<th>Others</th>
<th>128</th>
<th>51.89</th>
<th>30.426</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network</td>
<td>90</td>
<td>51.40</td>
<td>29.131</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>310</td>
<td>57.64</td>
<td>29.452</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>-1.773</td>
<td>.077</td>
<td></td>
</tr>
</tbody>
</table>

| Activity Area (1)       | Domestic | 569     | 51.21  | 28.149 |
|                         | International | 74  | 65.14  | 38.009 |
|                         |          | -3.829  | .000   |

| Activity Area (2)       | One prefecture | 360   | 50.39  | 26.095 |
|                         | Nationwide, International | 283   | 55.89  | 33.632 |
|                         |               | -2.334  | .020   |

**Organizational size**

The correlation analysis between SMC and financial scale (revenue and expenditure) revealed almost no correlation [Table 3]. Moreover, the number of board members, employees, volunteers and members does not maintain a correlation with SMC [Table 3]. This indicates that organizational size and SMC are not correlated.

**Information dissemination capabilities**

There was a difference between groups with written mission statements and those without [Table 4]. This indicates that organizations with clear and clearly written objectives of their activities and goals have higher SMC. In addition, organizations that publish regular activities reports have higher SMC [Table 4]. The number of information dissemination channels shows a weak positive correlation to SMC [Table 3]. This indicates that organizations with clear organizational information as well as the capability to disseminate that information have higher SMC.

**Diversity of revenue sources**

Diversity of revenue sources shows a moderate correlation with SMC [Table 3]. This indicates that organizations with diverse revenue sources have higher SMC.

**Activity Type**

The results regarding the relationship between activity type and SMC provide interesting implications. Advocacy and network organizations have lower SMC than that of operational organizations, which had the highest mean among the three [Table 4]. This indicates that SMC may vary depending on activities types.

**Geographical scope of activities**

The geographical scope of activities shows a clear correlation with SMC. Organizations working internationally have higher SMC compared with ones working only domestically. In addition, organizations working in only one prefecture have lower SMC compared with those with a nationwide or international presence. This result indicates that international organizations have higher SMC, as well as that the broader the activity areas of an organization, the higher SMC.
Changes of external environment

There is a moderate correlation between the degree of change in external environment and SMC. This indicates that organizations experiencing an unstable environment have relatively higher SMC.

4. Discussion

Survey summary

The research utilized conventional SMC, originally designed for use in for-profit management theory, to develop a model to measure levels of SMC. Then factors with a potential correlation to SMC were assessed using the model.

Although the analysis is still preliminary, the results reveal several interesting implications. Three of the variables – information dissemination capabilities, activity type, and geographical scope of activities – showed a rather strong correlation with SMC. Revenue source diversity and changes of the external environment had moderate correlations with SMC. Contrary to the expectation, the result shows no relationship between organizational size and SMC. It implicates that even organizations of a small size can possess high SMC.

By combining results, the following hypothesis on barriers for SMC can be developed: An organization’s mission and their activity report dissemination capabilities implicate the evaluation ability and accountability of the organization. Both evaluation ability and accountability are critical managerial elements in determining an organization’s level of trust from the external world. In addition, the moderate correlation between SMC and the external environment indicates the ability of an organization to align with the external world. These elements combined represent an organization’s ability to be open with the external world. Results show that organizational openness and SMC has a positive correlation. From the perspective of Organization Theory, nonprofit organizations are considered to be “open-natural systems” in which organizational “boundaries are amorphous with flows of materials, energy, information into and out of the system” (Stone and Bryson, 2000:752). In this regard, their intrinsic nature has high permeability with the external world, which indicates that they have high SMC by nature. Then, the question arises as to what factors may hinder their openness and ability to have high SMC. For example, according to the results, advocacy had low SMC. Advocacy-oriented organizations may possess stronger opinion sets in relation to their mission and values. Sometimes, ideology prevents an organization from working collaboratively (Margerum, 2002). Therefore, ideology can be a barrier for relationship establishment between organizations and the external world. If so, an organization’s mission and value which sometimes link to ideology, and which are vital elements of the nonprofit organization’s management, may potentially have adverse effects in establishing higher SMC.

The degree of external environmental change has a moderately positive relationship with SMC. Thus, organizations that are experiencing drastic internal changes due to external environmental changes may have higher SMC. This would seem particularly important to consider in light of the current social and economical turbulence in Japan, namely the 3.11 aftermath and ongoing economic recession. Given stakeholders are
effective mediums in helping align organizations with their environments; SMC may be one of the keys for the survival of these organizations.

**Study limitations and future developments**

There are several limitations to this study. First, data analysis is still in a preliminary stage and requires further attention. In particular, determining the reasons for correlation between SMC and factors that have moderate and rather strong correlations is essential to comprehend SMC in nonprofit organizations. For example, on geographic scope, it may be worthwhile to compare the for-profit organization’s case: i.e. the stakeholder relationship difference between Multi-National Enterprise (MNE) and domestic company.

Through the further study, barriers to effective SMC in nonprofit organizations needs analyzed. Reflected by the barriers, the SMC framework itself will also require further development. The framework will aim to utilize stakeholder management capability in order to understand the shifting relationship between organizations and the multiple stakeholders located within evolving environments.

As noted before, the ultimate aim of this research is to assess the relationship between stakeholder management and the performance of nonprofit organizations. In for-profit management theory, significant research has been conducted to identify the link between stakeholder management and a firm’s performance using various indicators (Freeman et al., 2010:90-104). For example, Berman et al., (1999) developed two models: the Strategic Stakeholder Management Model and the Intrinsic Stakeholder Commitment Model, to test the effect of stakeholder management on corporate performance. Though how to measure “performance” for nonprofit organizations should be carefully reconsidered, the discussions in for-profit theory may be useful in developing an SMC performance-measuring model for nonprofit organizations.
Appendix 1: Stakeholders group (identified number)

Number of stakeholders groups chosen

- Board
- Members
- Auditor
- Other Non-Governmental Organizations (NGOs)
- Service beneficiaries
- Local municipalities
- Employees
- Volunteer
- Local citizens
- Corporation
- Academia
- Domestic private nonprofit organization other
- Media
- Public nonprofit organizations other than above
- Purchaser
- Governmental organizations and government
- International private non-profit organizations
- Foreign citizen
- Others
- International Organization
- Foreign government and government organizations
- Political party
- Foreign municipal government
- International public non-profit organization

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## Appendix 2  Data collection of SMC index

<table>
<thead>
<tr>
<th>Level</th>
<th>A: Scope of stakeholders</th>
<th>B: Transactional</th>
<th>C: Stakeholder influence on the management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question</td>
<td>Please categorize the individuals and groups selected in the previous question in the following area</td>
<td>Please categorize the individuals and groups selected in the previous question in the following relations</td>
<td>Please categorize the individuals and groups selected in the previous question in the following area: which management level do they have impacts?</td>
</tr>
<tr>
<td>1</td>
<td>Directly related to the organization's own resources and capabilities i.e. direct involvement in organizational management, financial support (Resource Based View)</td>
<td>Provide information (One-way)</td>
<td>Daily activities (Task Control)</td>
</tr>
<tr>
<td>2</td>
<td>Relating to achievement of mission, areas of activity of the organization i.e. other organization of a like nature, target of advocacy, regulatory body (Industry Structure View)</td>
<td>Receive or give advice, persuade, Two-way transaction</td>
<td>Planning and execution of various programs to achieve the mission of the organization Management Control</td>
</tr>
<tr>
<td>3</td>
<td>Other than the above i.e. Provide new network and information to the organization. (Stakeholder View)</td>
<td>Cooperation, participation, negotiation, lobbying (Multi-way transaction)</td>
<td>Determination of the direction of the entire organization i.e. organizational mission and long-term planning (Strategy Formulation)</td>
</tr>
</tbody>
</table>
Appendix 3 List of external environment factors

[Q: Please answer all the external environmental factors influential to the management and organizational activities for the last five years. (multiple answers allowed). If your organization established less than five years ago, please answer from the founding to the present.

- System of government (i.e. regime change)
- Social policy (i.e. social welfare policy change)
- Tax Policy
- Exchange rate fluctuations
- Average salaries
- Unemployment rate
- Interest rate
- Inflation/Deflation
- Investment trends (i.e. socially responsible investment (SRI))
- Demographic (e.g., low birth rate, aging society)
- Lifestyle changes and trends
- Globalization
- Business trends (e.g., corporate social responsibility (CSR), etc.)
- Diffusion of IT (e.g., growth of the Internet)
- Diversification of the outgoing channels of information
- Technology innovation
- Change of law on status of legal entities
- Change of law related with organization activity areas
- Others 1 (please specify)
- Others 2 (please specify)
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