

Emerging Markets Queries in Finance and Business

Non Profit Entities and Multi-Stakeholder Relations: some Highlights on Accountability Management from the Italian “Pro-LoCo” Organizations*

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Abstract

In the present work, considering that Pro-LoCo organizations operate in a highly changeable environment, the context is analyzed, through a multi-stakeholder analysis, starting from an internal investigation, in terms of organization and management. Having completed this preliminary investigation, we proceed to specify the procedures and laws that govern the exchange process managed by the Pro-LoCo.

Therefore, it is important to analyze the environment in which the Pro-LoCo operate in order to implement an accounting information system which manages to meet the tourist and social informational needs on a local level. From this stems a brief examination of the problems related to the formation of an information system in the field of Pro-LoCo, due to the complexity deriving from the identification of the touristic product, as well as the dynamics of the demand and supply of services.

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1. The Pro loco association from a managerial point of view: concepts and features

The management and the exploitation of local resources, on a tourist and social level, as well as the promotion and protection of local communities, are a priority for territorial development. This function has historically been held by some non-profit organizations that take the name of Pro-Loco. The presence, in this reality, of a combined set of elements of various nature (social, ideal, political, anthropological, economic, legal, etc.) allows us to analyze this type of non-profit organization using an institutional approach (Masini, 1979; Borgonovi, 1993).

In the light of the contributions in this field, Pro-Loco organizations can be defined as:

- socio - economic systems, in which elements of different nature (tourist, cultural, ethical, political and otherwise) are dynamically and rationally organized, to achieve an institutional goal, i.e. the fulfilment of the tourist needs of the local community;
- systems whose final aim is to give rise to, on an ongoing basis, processes for the production and/or consumption of goods and services related to tourism, through the joint action of its functional sub-component systems (the sub-systems of personnel, marketing, information, etc.);
- systems which, as they unfold, affect both the supra-system (the macro, legislative, economic, political environments, etc..) of which they are a part and the sub-systems of which they are composed, and are in turn influenced by the same, in a process of dynamic interaction on several levels, in which each element modifies the framework of the other elements (Zappa, 1957) .

The distinctive features of the Pro-Loco organizations, given the associative nature that makes use of volunteer staff, seem to be dominated by the need to unite the purely economic assessments to the compatibility with the social aims, notwithstanding the instrumentality of the achievement of profit targets to fulfil the mission of the institution and/or the differentiation of its sources of revenue, as well as the position of the strictly secondary business initiatives within the activities of the organizations. Consequently, Pro-Loco organizations, can be considered "non-profits" entities.

Thus conceived, the Pro-Loco was born and develops, not only in terms of size, because groups of people, independently and voluntarily, decide to use their energy and material, intangible, financial and economic resources to meet the social and tourist needs of the local community.

Keeping in mind the legal requirements required to be classified as a Pro-Loco and the economic-business aims of the Pro-Loco connected to the defence, enhancement and promotion of its location, in all its versatility, as well as providing related services such as training, knowledge and welcoming of tourists, at present, the Pro-Loco's actions are closely related to the physiognomy and physiology of its territory and the management of relationships with its stakeholders (Vaccari, 1998; Piantoni, 1984; Freeman, 1984) .

2. Social responsibility and management of the multi-stakeholder relationships

The management of Pro-Loco organizations depends on the *relationship* between the system of the *tourist product*, the system of *needs* that they tend to meet and the *conditions of economic balance* between the resources used and the regenerated ones. Pro-Loco organizations, at the moment when they are able to reach the intersection between needs, tourist products and equilibrium conditions create economic value for the subjects for which they operate. These systemic relations are in close connection with the ties that the Pro-Loco establish with the environment in which it operates.

In order to allow for the achievement of the conditions of economization, the Pro-Loco should operate under conditions of efficiency (according to the principle of the optimum combination of factors) and effectiveness (in the logic of maximum result with minimum effort). Therefore, the scarcity of available resources is a constraint that is expressed not only in the choice of alternatives regarding the supply of tourist products (what to offer), but also in the satisfaction of certain needs (who to turn to) according to a productive combination to be determined (how to offer).

From this emerges the importance of the relationships that the Pro-Loco establishes with the environment. It's the environment, whether internal or external, which generates situations of constraint and opportunity, becoming a "counselor of corporate behavior" and therefore of strategic developments of the same Pro-Loco (Matacena, 1991) . An analysis of the (internal and external) multi-stakeholder environment is, therefore, considered necessary in order to better understand the phenomenon.

2.1. *Analysis of the internal environment*

A careful analysis of the internal reality of the organization and the direction in which the institution, as a whole, wants to work is at the basis of any kind of business plan. In this regard, it is important to clarify and know some variables.

The mission. It may be defined briefly as the basic intention of the Pro-Loco, that is, what it seeks to achieve, putting some strategic decisions in place. A clear specification of the mission of the organization is desirable, in order to have a clear vision of the fundamental orientation and in order not to create confusion about the objectives to be pursued. In terms of feasibility, the Pro-Loco should focus on a mission whose realization is actually achievable (the members of the organization may believe in the feasibility of the project). Motivation also plays a primary role; and it is of a basically meta-economic nature and is linked to factors such as: sense of belonging to the territory and Pro-Loco, the philanthropic and social causes, the link to the local traditions, as well as sociability with people of different geographical origins. Finally the more distinctive a mission the more effective is it, in the sense that, given the membership in the same sector, the heterogenic nature of the Pro-Loco and its own tourist identity have a positive influence on the motivation of members and potential members.

The objectives. They define the primary variables that the Pro-Loco emphasizes and specify the direction in which the organization is moving. The multiplicity of relevant objectives poses problems in the process of choosing among the alternatives, in order to keep an adequate focus geared towards achieving those that ensure satisfactory results.

The culture of the organization. It represents a complex set of coordinated elements, including: the conception of what the fundamental mission of the organization is, the tools and how best to achieve it, real personal expectations with respect to one's involvement in the organization. In order for a Pro-Loco to function properly there must be a systemic cohesion, as well as global acceptance of the cultural model and of leadership behavior on the part of the management, employees and volunteers, in order to limit conflict that proves detrimental to the actions of an operational nature.

The strengths and weaknesses. The traditional strengths of the Pro-Loco are: the flexibility of the organizational structure, the wealth of experience and knowledge that each volunteer brings to the organization, a spirit of *workgroup* that allows the entire organization to move with unity of purpose, and the presence of a continuous flow of information between the management and the operational units. Among the points of weakness, we should note: the economic constraints resulting from the limited resources available, the excessive formalization for certain tourist actions that require the involvement of government (permits, licenses, etc.). More often than not, the weaknesses are related to the aspects of the inadequacy of the existing structures in the area that affect the tourist offer, or the lack of dedicated staff within the organization.

2.2. *Analysis of the external environment*

Pro-Loco organizations operate in a *generic environment* that represents the "frame of reference" common to all the organizations that are located in the same geographical area. It can be viewed as a complex formed by various subsystems. When narrowing this down, along with the part that can influence the structure and the behavior of the Pro-Loco, you can identify a *specific environment* represented by the specific more narrow operating environment, identified by the local area and by the market segment in which each Pro-Loco

carries out its tourist activity.

2.3. *Generic environment*

The generic environment is represented by the high underlying trends, which give rise to the opportunities and threats relevant to the Pro-Loco organization. They represent a large part of those "uncontrollable factors" on which the organization has no influence, but to which it must adapt. It is fundamental that these organizations understand the major forces that determine the reality in which they operate, as this allows them to draw the current and future context, as well as the real realm of action where they can operate. The variables relevant to the Pro-Loco are political-legal and socio-cultural, but also physical-natural and economic.

Compared to *political-legal environment*, the organization is influenced primarily by the complex system of rules governing the activities and the positions taken by the regional administrations in the field of tourism policies.

The *socio-cultural environment* is represented by the values of a society and the level of knowledge. The *socio-cultural trends* are examined in order to understand in which direction the tourist is going in and, more generally, the population; they represent an index which summarizes the tourist needs and the means of implementation. The most useful data are: school system (number of university and high school graduates); cultural level of the population; illiteracy rate; prevailing religions and distribution of population by religion; cultural values of the environment (lifestyles, consumption patterns, etc.); social stratification; social mobility between and within the classes; ethnic problems and levels of possible integration among different ethnic groups based on language, geographical location etc..

The *physical-natural environment* is of dual importance for tourism: on the one hand it is a "value", that is, a common heritage with the implications of responsibility towards future generations, and on the other, the main "resource" for tourism and as such must be 'usable'. The knowledge of this subsystem allows the Pro-Loco to alternate and balance the informative needs related to the "environment as a value" and the "environment as a resource."

The *economic environment* is represented by the general economic system that regulates the life of a given community. If on one hand, the macro-environment, completed with the economic variables, is less relevant for the Pro-Loco, on the other, it is useful if oriented to identifying likely future developments that may affect the tourist demand. The relevant data are: the economic structure of the country with data expressing the origin and destination of GNP; the basic indexes of the economic system; the financial and monetary situation; trade with foreign countries.

2.4. *Specific environment*

The specific environment is definable by the type of activity carried out by the Pro-Loco, i.e. by sector, understood as a set of comparable organizations for the execution of one or more of these processes: acquisition of inputs, production of tourist goods and services and their provision on end-markets. All stakeholders who are interested in the activities of the organization belong to the specific environment. These subjects, bearers of a variety of interests, are distinct groups of individuals and profit, non-profit or public companies, that have an interest or real or potential impact on the Pro-Loco (Fiorentini, 1997).

The multi-stakeholder environment in which the Pro-Loco organization operates, can be grouped into the following categories:

- stakeholders that are sources of input;
- internal stakeholders;
- partner stakeholders;

- *consumer* stakeholders.

The stakeholders that are *sources of input* include:

1. Donors, including people, organizations or companies that provide financial resources or assets to the organization. Of greater use is the computer and the Internet which allow Pro-Loco organizations to address to a mass audience. The relationship between the Pro-Loco organizations and donors also need to be seen in the logic of attraction of the former to the latter, in a direct and immediate way, especially considering the collection of funds from the target audience, that represents, precisely, the main activity of finding the means to manage the organization. Today, not only in Italy, but also in other countries, fundraising has been encouraged through tax deductibility of voluntary contributions, in order to increase the amount of funds collected to be allocated to the institutional activity of non-profits.
2. The suppliers, in this case, do not contribute financial resources, but materials, goods or services necessary for the operation of the organization and for the organization of trade fairs and events of various kinds.
3. Institutions, namely the City, the Province and the Region, are primary sources of contributions for the Pro-Loco. They send requests for contributions that are important cultural and tourism initiatives. The transfer of wealth from the government, in general, refers to the wide range of interventions aimed at supporting the tourist activity of Pro-Loco organizations and are conducted through these tools:
 - *Financial incentives*: capital grants, low-interest loans;
 - *Fiscal incentives*: tax exemptions, deductions, reduction of tax rates and tax credits.

In the first group grants play a significant role. They can be capital accounts supporting long-term investments, which do not need to be paid back to the public body grantor, or they can be operating accounts in order to promote the economic balance of the organizations supported. The second group refers to the transfer of wealth from the organization to the Public Administration (PA), defined as a compulsory charge, by virtue of its position as a taxable entity. It is the duty of the PA to make a correct use of the same through appropriate fiscal policy for the purposes of public programming.

4. Profit organizations are suppliers of input especially in the form of sponsorship: they make use of the public interest in events or the publications of the Pro-Loco, to spread their name and their image, for promotional purposes, paying a fee.
5. Members whose dues are the only resource with a degree of certainty are included in the group of stakeholders providing input. They represent the economic entity (Azzali, 1996), ie. a person who exercises the supreme authority and who, through the information contained in the budget, makes his economic decisions.
6. Finally, an additional source of resources are the users of the services that the organization provides in exchange for a fee, those who adhere to the fundraising through the purchase of goods on which the Pro-Loco has a minimum useful margin may also be included in this category.

Internal stakeholders specify and put into practice the strategy of the organization, and include:

1. The management which must cope with the normal problems associated with the effective management of human and financial resources.
2. The staff and employees (mostly temporary) consist in those who work for the Pro-Loco on the basis of normal employment; in this category usually includes those who deal with the accounting of the organization and tour operators who, in some circumstances, provide support for the organization through promotion. In most cases, however, the Pro-Loco have no paid staff working full-time for the institution; the staff is almost always people outside the organization who only provide their professional contribution, but are not an integral part of the organization and do not necessarily share the mission or motives.

3. Members should also be considered internal stakeholders, as, although not personally involved in the activity of the organization, they represent the base and an entity whose support and approval of which is essential in a future perspective.
4. Volunteers are the backbone of the Pro-Loco organization, since the work done by them, often far surpasses, in terms of time invested and activity, that of permanent staff. The relative information includes reimbursement for expenses incurred in view of particular activities of solidarity and participation (Fiorentini, 1997) in the initiatives promoted by the Pro-Loco. However, of particular importance are the incentives and motivations that tie the same volunteers to the Pro-Loco.

The *partner* stakeholders of the Pro-Loco are represented by those individuals whose collaboration provides important support to the organization and allows it to exercise its optimal activity:

1. Organizations, with which the Pro-Loco usually have relationships, represent a point of reference for non-profits that organize fundraising for charity with them, or they can proceed to establish consortia. The associations operating in the environmental sector deserve special interest. In fact, a strategy of offering tourist services paying special attention to the environmental interests increases the value of the Pro-Loco, which is why the economic entity is interested in these policies. The ecological question generates different forms of social responsibility and is expressed in the ability to consider the benefits of creating collective structures (management as a consortium of beaches of particular natural interest) or the concentration of Pro-Loco in the same area (coordinated common management for the provision of services related to the development of natural resources), but also in becoming aware of the social costs (Matacena, 1984, Mari, 1994) , i.e. collective losses to the whole community (prevention of noise pollution during the organization of musical events).
2. The institutions, which lay down the rules of conduct by which the Pro-Loco is to be measured. Collaboration with the PA is certainly to be taken into account when the Pro-Loco alone cannot handle specific situations of need alone, and the same applies to these relationships, for the PA with respect towards such organizations, in the logic of subsidiarities. The system of social report will include, in fact, some thoughts and considerations on the level of integration between the two parties and the manner in which they tried to fill the void in the offering created by the market and the State.
3. Sports associations are parties with which the Pro-Loco have relations; often, in fact, for the organization of sports tournaments, the Pro-Loco relies on the support of these bodies, even simply as a matter of practicality, as these facilities are usually run by these clubs.
4. Together with the institutions, the UNPLI (National Union of Pro-Loco of Italy) is definitely the most important interlocutor for the Pro-Loco. The Union, in fact, holds the interests and motivations of the Pro-Loco and it takes them to the seats where are decisions taken, its work allows individual organizations to obtain bureaucratic simplifications and tax relief.
5. The relationship with the media finally has taken on an increasingly important role, because it helps build a strong link with the community. The media, especially the local press, often forms and influences public opinion, and for this reason, can be used to raise awareness of the organization and build consensus around it, both in relation to the activities carried out, and to tourist services offered on the basis of local resources available.

The *consumer* stakeholders of the Pro-Loco are represented by the target audience of the services rendered by the organization, for which the local tourist office organizes its activities.

1. The local community (Kotler, 1978), in this view, is the first recipient and the activity of the Pro-Loco is carried out, with the aim to increase community well-being and social development. The subsystem of relationships which includes the link between the Pro-Loco and its customers, consumers or users, is expressed in a circuit characterized by the flow of products that go from the organization to the customer and by a monetary flow that goes from the latter to the former. The relationship between the Pro-Loco and its customers/consumers/users cannot be explained only from the point of view of the

circuits, but also in terms of social responsibility with respect to the quality of the tourist offer. With regard to this issue, the biggest problem comes from the lack of information, both in qualitative and quantitative terms, on which the consumer can rely when choosing the product. This implies that the Pro-Loco needs to set up a process that tends towards Total Quality (Leoci, 1998), in order to reduce the burden of social responsibility. The theme of the consumer defense is thus shown to be fundamental to the Pro-Loco organization that intends to achieve and increase its social legitimacy towards their environment, through a more responsible role in community relations. While the undertaking of these issues within the organization may, on one hand, lead to higher costs mainly concerning quality control (De Risi, 1997), on the other, they have some interesting implications in terms of the reputation of the same organization within the social system with which it interacts. As a result, relations between the organization and the consumers mainly concern to the degree of satisfaction of the same, the level of satisfaction of their social needs, the attention the organization pays to particular situations of social distress, and the initiatives aimed at improving the quality of products sold (Villa, 2000; Scaratti, 1998).

2. The tourists are the second "target audience" of the Pro-Loco. The promotion of local tourism is done through processes that aim to attract tourist flows from the outside, moreover, tourists are the recipients of most of the events and fairs that are organized by the organizations. They can obtain useful information from the accounting information system, and therefore, strengthen their confidence in the operations of the Pro-Loco, where the accounting document provides information on the likely future evolution of management (Terzani, 1993).

All these reasons explain the complexity of both the relations the Pro-Loco has with the environment, and the content of social responsibility which becomes a way of entrepreneurial action, action that needs to be carried out based on long-term effectiveness and efficiency and that is characterized by the pursuit of non-economic interests and solidarity. According to this interpretation, the Pro-Loco, which is part of the third sector, becomes the event that shows the existence of economic entities (internal and external to the Pro-Loco) in which social responsibility, as shown above, is seen as a *mission* it implements and not as a constraint to divergent objectives (Matacena, 1991).

3. Problems in the elaboration of tourist information

We have already highlighted the opportunity to measure the level of cost effectiveness, both for greater user satisfaction, favoring a strong legitimacy of the Pro-Loco, because it is able to mold itself to the changing environment, and for the search of new opportunities to improve management, resulting in the need for appropriate forms for the achievement of the economic-financial equilibrium, in order to achieve its aims (Zangrandi, 2000). It has been said, then, that even the Pro-Loco need to resort to appropriate information tools to create the proper support to guide management decisions and the pursuit of social goals.

Among the features of the Pro-Loco tourist information, we should point out the complexity of the findings due to the specificity of the tourism product:

- the tourist service can not be conceived as a single service, but as the product of area (or set of services);
- the tourism product belongs to the category of *experience goods*, i.e. goods for which the consumer does not verify the expectations, but can only refer to the information he receives *ex ante*;
- tourism implies the physical movement from one's place of residence and this results in additional uncertainty with respect to expectations;
- during the use of the service, the tourist does not only carry out the consumption of goods and services, but also establishes a series of relationships with the local community of the territory to which the Pro-Loco belongs.

This connotation of the tourism product as a set of services creates uncertainties that have strong influence on the accounting information system of the Pro-Loco. In particular, it refers to:

- the heterogeneity of consumer motivation (need for rest rather than cultural fulfillment, or desire to visit a church, etc..) which leads to the need to an analysis and deeper understanding of the needs of consumers and their behavior with respect to the market;
- the relationship between the Pro-LoCo and the consumer, which is often indirect, and which could result in different information about the same tourist locations, often due to the presence of for-profit companies (travel agencies and tour operators) who insert themselves, with different expectations, into the process of information production;
- the management complexity of Pro-LoCo organizations, which can be simplified only through cognitive information and interpretative models able to coordinate objectives and development with the needs of different categories of operators and stakeholders (Corigliano, 2000).

Given the wide-range which characterizes the sector, in which the object of the final demand is not only the result of purely tourist activities, but also the set of related and connected activities, the management of the network of relations between the Pro-LoCo organizations and the area and the local environment in which it is placed is important.

It is about a series of elements of identity in the location of the Pro-LoCo, whose management of tourism must consider economic reasons, but above all justify the intervention action on certain segments considered to be a priority in social terms. Therefore, the information system could have a dual role: internal, to verify the economic financial balance and external, to be accountable to the community for the use of resources that the same provides. Internal motivation helps encourage the search for solutions which, on an organizational and production/consumption level, are able to coagulate the various forces in the field, in order to achieve specific goals. External motivation refers to the ability to promote a strong focus on the environmental dynamics and the degree of acceptability of the actions of the Pro-LoCo.

However, it should also be emphasized that an appropriate intimate coherence between the aims of the organization, and the strategies implemented, the organizational structure and the information system adopted in the same (Zangrandi, 2000).

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