



## Financial Management Competencies in Nonprofit Organizations

Sara Stühlinger<sup>1</sup>

*Abstract for the Economics Lunch on February 27, 2019*

Financial management and capacity are important but widely neglected means for nonprofit organizations to pursue their mission. As part of the administrative infrastructure it is however not self-evident that nonprofit organizations invest sufficient resources in financial capacities. Furthermore, financial management relies on several distinct tasks such as strategic financial planning, financing, management of liquidity and reserves, budgeting and controlling, as well as financial accounting. Although some concepts can be adopted from for-profit management, existing literature argues that nonprofit organizations need their own financial methodology. For nonprofit organizations, this leads to the challenge of tackling distinct management tasks requiring different competencies with scarce resources. At the same time, studies found that management capacities have a positive effect on financial growth. The following study examines how nonprofit financial management competencies can be measured and how different nonprofit financial management competencies affect the financial and organizational performance of an organization. I will also test whether financial management competencies affect the risk of mission drift.

Analyzing existing literature, I have developed 34 survey items on nonprofit financial management competencies that reflect the different tasks within financial management. 626 of 3054 Swiss nonprofit organizations responded to the survey. I calculate a factor analysis and structural equation model to examine the items and the relationship of the financial management competencies with organizational and financial performance. Preliminary results of the exploratory and confirmatory factor analyses show that the data confirms the theoretically derived factors (e.g. strategic financial planning, financing, management of liquidity etc.).

---

<sup>1</sup> Center for Philanthropy Studies (CEPS), University of Basel, Steinengraben 22, CH-4051 Basel, sara.stuehlinger@unibas.ch