Organization management in Non Profit Organizations

Anderson Presoto  
Master Student  
University of São Paulo

Isabela Mantovani Fontana  
Doctorate Student  
University of São Paulo

Roberta Souza  
Assistant Professor  
University of São Paulo

Abstract
This paper analyses how traditional methods of operations management may be applied on Nonprofit Organizations management. Issue from 25 multiple studies cases, first findings point out that application of some concepts such as efficiency and effectiveness deserves some considerations, it totally possible though. Furthermore, an inverse servitization phenomenon is noticed.

Keywords: Nonprofit Organization; Operations Management;

Introduction
A successful operation management (henceforth, OM), in any kind organization, is due to an appropriate understanding of what is a system, a production system, who are the stakeholders, definitions of efficiency, effectiveness, and productivity (Slack et al. 2002, Wild 1995, Davis et al. 2001, Adam and Ebert 1992, Pisano and Hayes 1995). To nonprofit organizations (henceforth, NGO), it is not different. Nevertheless, we are challenged to analyze if the understanding of these concepts are the same in different kinds of organizations. More precisely, it is questioned if the operations management approach adopted in NGOs are the same from traditional manufacturing.

The relevance of this study can be justified by the lack of researches published in OM. A bibliometric survey on Web of Science database using the terms “operation management” and “nonprofit organizations” resulted less than 50 articles, without any other filter.

Furthermore, the state of implementation of NGOs is achieving a maturity level, which the main focus is to optimize their management processes in order to improve their bottom line, considering that for NGOs the bottom line is not necessary profit (Nalinakumari and McLean 2005). Moreover, Bruton (2012) points out that the progress in terms of foundations of OM has been limited due to the fact that theoretical authors look all the time to the same kind of organization, the traditional ones. In his paper, Bruton (2012) offers a new perspective about OM taking as an example NGOs. Following this approach, the present paper intends to go further.
It is already evidenced that the system vision is seen as something important for the operations management. Now, in the case of NGOs, we can say that is something that can contribute to the understanding of this little explored organizational arrangement, as outlined by Gill (1998) and Tenorio (2006). It was only in the 1990s that NGOs have come to occupy the place that they have today: coordinating bodies and representatives of social aspirations that were not addressed in an adequate or desired way or completely ignored by the state (Gill 1998).

Having considered this argument, the following question appears to be relevant: “May traditional operation management practices fulfill the management needs of a NGO?” The purpose deriving from it can be established as follows: to understand how concepts commonly used in operations management are applied to NGOs. The benefits of such study can be summarized as knowledge that allows organizations of this type to be somehow better managed.

The research question proposes to discuss a number of concepts like efficiency, effectiveness and productivity. Such concepts can be understood from the perspective of evaluating the results of operations (Slack et al. 2002, Davis et al. 2001). It is reasonable to assume that an organization is sustained only if certain results are obtained. Assess whether these results are obtained or not becomes a goal that must be achieved by different organizations. Muscat and Fleury (1993) emphasize that for an organization to be able to face the competition in which it is immersed, it is necessary to create mechanisms to determine whether it, as an organization, is being really competitive and at the same time, check that it is improving their modus operandi. This idea is corroborated by Harrington (1991), for whom the measurement is a key point. Terms such as effectiveness, efficiency, productivity appear in this context of this discussion (Sumanth 1984, Sink 1985, Lawlor 1988, Sink and Tuttle 1989, Drucker 1999a, Drucker 1999b, Tangen 2005, Miyake 2008).

The paper is structured starting with an introduction where the objective of this research as well as the research question are stated. The second section will be dedicated to a theoretical background review in which traditional concepts of OM are described and insights of how NGOs are being defined. From this theoretical framework, we are going to propose a response to the research question, supported by empirical evidences that will be discussed at the third section. The empirical study is conducted by multiple study cases of NGOs from Brazil. Confronting the findings from literature with empirical research in section four, we will be able to analyze if the response proposed is coherent. Finally, we conclude with final considerations indicating further studies.

Theoretical Background

In this section, concepts from literature on OM are summarized, starting with “system and production system”, followed the definition well established concepts of efficiency, effectiveness and productivity. In a second moment, a review about NGOs is introduced, specifying what it is and its particularities.

Concepts of Operations Management

According to Chiavenato (1991) each organization adopts a production system to perform its operations, whether to produce a product or a service, the best possible way, to ensure their efficiency and effectiveness. The production system is the way the organization manages its organs and conducts its manufacturing operations. This would result in a logical interdependence between all stages of the selection process. There may have different classifications, depending on the
criteria that are adopted (Moreira 2008). To Moreira (2008), a production system is a set of interrelated activities and operations involved in the production of goods or services.

Wild (1981) defines a production system as the configuration of resources combined for the provision of goods and/or services. The items that compose these combined resources is called physical system, which main categories of resources are the raw materials, equipment, labor and the products associated with the production system. In this sense, customer satisfaction through the provision of goods and services is the basic function of an operating system.

Based on the aspects highlighted above, Wild (1981) proposes a categorization of operations that can be performed by organizations. It is done according to how the operation is perceived by the end customer and is divided into manufacturing (where there are changes in form or composition of resources), transportation (where there is change in the location of resources), supply (in which there are change in ownership of resources) and service (where there is a change of resources and the consumer or something belonging to him is the resource).

This division has didactic nature (Durscki 2007). An organization usually performs in more than one of the categories presented. Durscki (2007) mentions the banking industry as an example. In this scenario, the banks have, on different levels, for instance, transport activities (remittances of documents, checks, cash), in line with manufacturing activities (preparation of checkbooks, for example) and with greater intensity, the services that are provided (investments, withdrawals, attendance). It would be difficult to assume one organization that is restricted to a category defined by Wild (1981).

Cooke (2000), as highlighted by Durscki (2007), regroups the classification by Wild (1981). According to that, author it is possible to group the functions presented focusing on operations management together in a transport and services group, and other, manufacturing and supply. According to Durscki (2007), for research and improvements in operations management, production systems can be classified in a simplified form, in manufacturing and services, based on their outputs.

Slack et al. (2002) distinguishes service products observing the output of the operation. For these authors, all processes exist to produce goods and services, although the distinction between them can be subtle, the most obvious difference considers tangibility. In general, the product (arising from manufacturing) are tangible, meaning you can physically touch. In addition, other variables can make a distinction between services and products.

Sassser, Olsen and Wyckoff (1978) list a number of other features that would distinguish between parameters that characterize a product from a service, like the concurrency, the fact that the service is perishable, heterogeneity besides being intangible.

Cavalcente (2008), on another line, proposes a more comprehensive classification including extraction systems and cropping systems at the four classifications proposed by Wild (1981).

Turning to the efficiency, effectiveness and productivity concepts, it is considered of great importance the knowledge of these concepts for production management (Slack et al. 2002). However, the definition of such terms, in uniform, clear and unequivocal way, is not an easy task. They can be understood as ways to measure the performance of an organization.

For Megginson, Mosle and Pietri (1998) efficiency is related to the ability of a manager to generate the highest amount of richness (in number of products, for example) with the least amount of resources. Drucker, cited by Stoner and Freeman (1999), describes the concept as the ability to do things the right way in order to maximize results and avoid wasting resources.

Megginson, Mosley and Pietri (1999) also define effectiveness as the manager's ability to achieve results through correct choice of goals and the best means to achieve them. Drucker, argues that the effectiveness is above efficiency, defending the idea that this word refers to achieve the
objectives, it is not only meet them but surpass them continuously, making the path to reach it the
correct and not admitting mistakes. According to his own words, "not any kind of efficiency,
however great it may be, will make up to the choice of the wrong goals".

Finally, Megginson, Mosley and Pietri (1999) conceptualizes productivity as quantity of
goods or services produced quality by an employee in a given period. To Drucker, productivity
would be added efficiency to effectiveness: make the right thing in the right way.

**Nonprofit Organization**

Nonprofit organization is not a simple concept to define. Brazilian national legislation does not
bring this term in its entire length. The Civil Code, which entered into force in 2002 to replace the
1916 Code, defines, in its general part, entities, associations, and other terms that are often confused
with the term NGO.

According to Delgado (2005), NGOs are non-governmental organizations set up by civil
society to assist the State in achieving your most important goal: to guarantee the full exercise of
citizenship and democracy. There are rare times that these organizations end up taking the role of
the state itself, assuming a role of active actor of public actions (Vakil 1997). NGOs, can be both
public and private, since they do not have as main objective the generation of profits and if they
have, that those profits should be allocated for the purpose for which the organization is engaged,
getting banned the transfer of incomes to owners, directors or third parties not served by the social
role of NGOs. For Lehning (1998) NGOs are organizations that are not controlled by any public
body, but are elements of civil society, occupying a place between individuals and the State,
offering the opportunity for social self-organization and joint actions. However, according Merege,
it still the State responsibility for the hard work, since the power of NGOs is limited. According
Gnipper and Jacobs (2008), the emergence of a NGO should never replace the State, ie, should not
be compared to the government in their social actions. According to the authors, "should only be a
means for governments to boost the success of their actions”.

The Brazilian Federal Senate defines NGOs as an organized social group, nonprofit, coming
from a formal and autonomous constitution, characterized by solidarity actions in the field of public
policy and the legitimate exercise of political pressure in favor of excluded populations of the
conditions of citizenship. They are organizations that make various kinds of solidarity actions,
acting on behalf of specific groups such as older people, animals, environment concerns, and so
on. NGOs are commonly classified as Third Sector organizations.

It was noted that not all non-governmental organization can be treated as an NGO. Likewise,
not every non-profit association of civil society is an NGO. According to a study headed
by the IBGE (Brazilian Institute of Geography and Statistics 2012) the following criteria to define
the private foundations and nonprofit associations: (1) institutionalized organizations; (2) private;
(3) non-profit distributing; (4) self administered and (5) voluntary.

According to the same report, in 2002, existed in Brazil about 275,000 foundations and
nonprofit organizations, working in several areas, including religious associations. The universe of
NGOs is not homogeneous. Just like any other kind of organization, such as universities, press,
political parties, trade unions, social movements, have multiple facets. According to Haddad
(2006), NGOs fulfill different roles and have different orientations. While working in line with the
overall system, many struggle for change, reforms, structural changes, to construct and defend
human rights for playing content and guidance in social and sustainable development.

ABONG states that, in 2010, were 290.700 private foundations and nonprofit associations
in Brazil. These data are not consistent. According to IBGE, in 2005 there were 338.000 private
nonprofit foundations and associations, generating 1.7 million jobs throughout the country. ABONG data reported, though, that most do not have formal employment. It is mostly informal, voluntary and/or providing freelance services work. ABONG’s reports, about 28% of private foundations and nonprofit associations in Brazil had purposes related to religion, about 15% bound to employers and professional associations and 15% focused on the development and defense of rights. The areas of health, education, research and social assistance totaled more than 18%.

The Brazilian Civil Code of 2002 addresses some legal figures to portray NGOs, as they have no legal value. In the country legal system, there are three figures: associations, foundations and religious organizations, as recently incorporated as the third category. Additionally, there are sometimes the term institutions. In Article 44 of the Brazilian Civil Code, associations and foundations are defined as legal entities of private law. At the time of their establishment, these can assume different facets: to be foundations, associations as well as being co-operatives, societies (trade or business activities for profit), religious organizations and political parties.

In Brazil, some institutions are noteworthy, given its coverage area, number of people assisted activities developed. Some of these institutions according to their social constitution will be examined in the next section.

**Empirical Study**

The empirical study has used a qualitative approach (Bryman 1989). As method, we have adopted the study of multiple cases which proposes the investigation of data phenomena within a real contemporary context through a deep analysis of various objects (Yin 2010). The leading phases of the case studies were obtained from the propositions of Miles and Huberman (1994) and Yin (2010), going onto the phases of planning, pilot tests, data collection and analysis. The undertaken instrument was documental analysis and interviews face-to-face in some of the organizations.

Among the foundations, we can cite two major institutions: *Fundação SOS Mata Atlântica* and *Fundação ABRINQ*. The *Fundação SOS Mata Atlântica* is an institution established in 1986 that aims to defend the last remnants of Atlantic Forest, through the generation of knowledge and offering training people. This foundation seeks sustainable development, meeting the needs of preserving and maintaining the environmental balance for the future. Its projects involve campaigns, scientific studies, data collection and training courses. The core activities is to promote knowledge about the Atlantic Forest biodiversity and conservation practices. Its actions aim to reach communities and individuals through activities such as education and training.

The *Fundação ABRINQ*, which was established in 1990. This foundation arose from an initiative of toy manufacturers, sensitized by the situation of children in Brazil. It is a social organization working for the rights of children and adolescents. Today it conducts a series of projects in education, health and protection throughout the country. It also cover issues of Emergency, implementing activities ranging from immediate relief to actions to reduce disaster risks. Thus, this association works in the area of education, health, protection and emergency.

The universe of associations is also a large one. The objects handled by these associations are very similar in nature to those treated by organizations already mentioned. We could exemplify these associations, which mostly care about issues addressing the fauna and flora of the regions they are in, with the *Associação de Proteção ao Meio Ambiente (APROMA)*, *Associação de Proteção aos Cães*, *Associação Paulista de Auxílio aos Animais*, among countless others.

Within institutions, it is possible to cite *Instituto Ethos* for Social Responsibility, created in 1998, has as its mission “To mobilize, sensitize and adjust businesses” in order to manage its business in a socially responsible manner, making them partners in building a sustainable and just
Instituto Akatu, created in 2001, aims to promote social responsibility to educate and mobilize society for conscious consumption through which, according to the philosophy of this institute, believed to be fundamental in building the sustainability of our planet. Instituto Akatu establishes its activities aiming to change consumer behavior. To this end, this institute develops their practical performances with two fronts: education and communication. Instituto Morro da Cutia de Agroecologia, in turn, is one initiative working with grassroots organization, cooperatives and associations since 1994. It works in the field of agroecology forming and advising workers of family farming. Conducts research in the field of agroecology, aiming access markets and the ethical fair trade.

Another interesting institution is Espaço Claret, which provides complementary academics to children and teenagers from poor regions and city of São Paulo, Embu and Itapecerica. Vinculated to a religion order this institution has a considerable physical infrastructure that enables activities such as academic reinforcement, sports, recreative and cultural activities, communitary meals. Moreover, for some years they are producing crafts objects, such as bags, to raise funds. However also there are some important social aspects involved behind this, for instance the possibility to aggregate some professional experience to the young people. The main goal declared by the institution is “Organize actions to structure and to execute projects to welcome and to educate children, teenagers and young people, whose families do not have income or have a very low one”. Another segment of action regards adults and elders in a helplessness situation and in social and economic vulnerability.

Changing perspectives, some foundations focus specially on education aspects. Normally, from university extension programs they provide courses and similar to people interested from the community outside the university. With very similar characteristics, Fundação Roberto Marinho, Fundação Getúlio Vargas, Fundação Instituto de Administração, Fundação Carlos Vanzolini, Fundação Instituto de Pesquisas Contábeis, Atuariais e Financeiras, the three last ones vinculated to Universidade de São Paulo. All these institutions deliver a very wide range of courses, including face-to-face or online classes. This last option has been getting importance in their portfolio. It is relevant to mention that this online approach changes significantly the methodological structure of learning and teaching. For something that is considered as a pure service is becoming an intellectual product and service. The limitation of the typical service are overcome: the course can be stocked, production is not simultaneous anymore and becomes replicable. The aim of these foundations can be synthetized, besides what has been cited, raise funds to actions in other fronts.

Providing solutions to urban mobility, inspired by sustainability principles, this other set of NGOs are worried about providing solutions for social, environmental and economic problems. SOS Mobilidade Urbana, ONG Associação Ciclo Urbano, Instituto Mobilidade Verde, ONG Mobilize Brasil, EMBARQ Brasil were identified in theses specific group. It is important to mention that in Brazil transportation problems is the most recurrent subject cited in public opinion. Lack of infrastructure in terms of public transportation system or even transport routes from one side, and high concentration of people that need to commute long distances from the other side, are both of great importance that makes urban mobility a national concern. The actions of these organizations are concentrated on how well being can be improved offering new technological solutions, for instance communitarian rent of bicycles, and behavioral changes like using public transportation instead of private car.

With the aim of rehabilitation of chemical dependencies some institutions provide also an important task in Brazil. The reconstruction of citizenships of the dependents are a main concern to maintain public order and security. The special feature of theses institutions in the Brazilian
context is the fact that often is the link with religion institutions. The activities encompass medical assistance, psychological assistance, entertaining and cultural activities. As observed in Espaço Claret, we noticed some production activities, for instance craft projects, once again we the purpose of social inclusion. Some examples of these are: Associação Intervir, Centro Educacional de Restauração Nova Esperança (CERNE), Projeto Restauração (PROJER), Lar Semear, Anjos.

One of the most know global organization is Greenpeace. It is a non-governmental environmental organization with offices in over forty countries and with an international coordinating body in Amsterdam, the Netherlands. Its mission is to protect the environment, promote peace and inspire change in attitudes to ensure a greener and cleaner future for present and future generations.

The section that follows concepts of operations management are treated and exemplified by the application of these concepts in a specific organization called Aacd, that is a NGO which aims to treat, rehabilitate and reintegrate into society children with disabilities.

Analysis

In the previous sections, was discussed the concept of NGOs, as well as studying the different categories of productive systems. We gave prominence to the versions that bring only two categories: manufacturing and services. In the discussion it is presented an argument that is very relevant in the analysis of NGOs: difficult, or even impossible, that the operations of an organization becomes restricted to a single category. We cite the example of a bank, but the argument can be easily replicated to a NGO.

In the cases described, as the case of ABRINQ, clearly see actions that aim to provide a service, according to the definition given above, we can also find actions that can be characterized as manufacturing. In one of ABRINQ’s projects is the production of educational material aimed at adolescents and young education. We conclude therefore that, to some extent, the typical actions of a manufacturing system will always coexist with the actions of a typical service operation. In all the examples listed at the time of discourse on NGOs, we can find activities that turn at times to provide a service as also to manufacture, albeit products of little economic or social expression. The same characteristics are explicit in the other cases examined, as Espaço Claret.

Even clearer intrinsic duality that any activity can be seen in another example. The Aacd (Associação de Assistência à Criança Deficiente) is a non-profit, Brazilian organization, based in São Paulo, which aims to treat, rehabilitate and reintegrate into society children with disabilities. Currently has rehabilitation centers in several major cities in Brazil. Has as its mission the promotion and prevention, habilitation and rehabilitation of people with physical disabilities, especially children, adolescents and youth, fostering social integration. Has as its vision rehabilitation and orthopedics for patients who need their help, wanting to be recognized for its high standard of quality and efficiency with transparency, social responsibility and sustainability.

Interesting point to note from Aacd is the factory of orthopedic products maintained by this NGO. According to information from the institution itself, with a modern philosophy of labor, advanced production equipment and high technology more than 80 skilled and trained technicians, Aacd produces prostheses, vests and accessories for rehabilitation, such as crutches, canes, chairs, etc., under the most rigorous medical criteria. These actions are in addition to the classic Aacd activities aimed at providing assistance to people in need through the different clinics.

Clearly this last example the congruence of activities that are typified as products, associated with the manufacturing production (producing prostheses, there is no natural transformation of resources), associated with the provision of services activities, which can be
simply seen in the medical care provided in different hospital units character. It is unthinkable to a decoupling of the activities of these two natures.

The identification of the specific characteristic in NGOs is not something that has not been describe before. The operations management literature points to the predominance of activities, operations, which are both capable of being characterized as services as manufacturing. Slack et al. (2002) dictate: "most operations produces both products and services." For these authors, the various operations are positioned in a spectrum ranging from manufacturers of "pure" products to manufacturers of "pure" services. The authors emphasize that more and more the distinction between services and products is both difficult and not particularly useful.

Thus, it is expected, like any other production system, that NGOs merge activities that are characterized as those typical services and manufacturing. The same reasoning could be applied to the most detailed classifications

However, it may be asked what is the importance of each transaction in the total operations of the organization, in this case, in particular NGO? Would it be the role played as a provider of services most relevant than the role played as manufacturing? This is a matter of judgment, which does not fit the context of this academic work. However, one question still remains: was there any activity that excel the other? Undeniably, observing all organizations reported in this paper, the role played as a provider of services is prevalent. By observing the missions that are set in each institution, we always find the service delivery as a goal to be fulfilled. And here it is worth recalling the discussions on the definition of what would be an NGO. It is the root of the welfare role. This role requires the provision of a service to a third party, even if the suppression of a shortage, but even in this context, through the provision of a service.

It is native to the role of NGOs, so we could dazzle, providing some service to society. This is what characterizes it. The existence of a bias manufacturing, whatever its relevance, would always coexist with the provision of services, according to this reasoning. It would be unthinkable an NGO that would be limited only to manufacturing activities. An NGO that only produces something, characterizing a manufacture, through unnatural processing of inputs, changing the utility of resources, could not be classified as an NGO if this production does not have a social purpose, and that social order presupposes the existence of a service: provision of aid to people in need by providing something. There are resources treatment aiming to change the status of the individual as a customer. From this perspective, it seems pertinent to the issue raised here: NGOs exist without the provision of services (social, philanthropic, non-profit)?

There is a consensus among studies (Matos and Veigas 2000 Nelson 2007 Lecy et al., 2012, Bruton 2012) that this is a production system that changes the state of the resources, namely a service. The inputs of this process would be NGO staff, clients (who may be either individuals or a specific cause that supports NGOs) and other inputs (considering the infrastructure that the NGO has other existing and possible input according to each context).

Under the concepts of efficiency, effectiveness and productivity special attention is deserved when applied to NGOs, as an important hallmark of these institutions: its social objective. The desired output is not simply the production of a number of people or any financial income. We should note what the real goals set by the organization described above.

In the case of the AACD, the aim is to help children, adolescents and youth in the treatment of certain diseases. The output can not be thought of in financial return, but in aid of the public. The thought of efficiency in this case is of using the lowest possible amount of resources to serve the greatest number of individuals. In the Fundação Akatu example, which aims to encourage the responsible consumption, the efficiency will be thinking something like, educating as many people as possible for conscious consumption using the least amount of resources possible.
Similarly, when thinking about effectiveness, we must keep in mind these peculiarities. The objectives are defined in terms of the social purpose of the organization. A comparison of results obtained with the stated objectives should take into account these aspects. In the case of *SOS Mata Atlântica*, if the goal is the preservation of the rainforest, checking the effectiveness of their actions should compare the area that was preserved by its actions with the total area that it planned to preserve. For productivity, whatever the definition to be adopted, the logic being pursued is the same.

The above analysis was performed at a macro level. Micro analysis, observing specific aspects of the organization, and thus indicators of efficiency, effectiveness and productivity could be applied to specific points, specific operations.

**Final Considerations**

It was analyzed the aspects of operations management and its applicability to the understanding of a particular type of organization, NGOs. From those analyzes, it was concluded that these concepts also apply to that particular type of organizations, with minor exceptions.

At the time of the characterization of the type of production system, it was highlighted the importance of the type of transaction services to fulfill the social role of NGOs. It is worth remembering, however, that in some way, it prevents an NGO to have an aspect of manufacturing, as demonstrated in the examples analyzed. The criteria used to evaluate the performance of the organization was noted as something necessary for an organization to face the competition, checking if it's really competitive, perfecting the way it operates.

The use of criteria already established in the operations management literature is fully possible, requiring only to take into account the particularities of this type of organization, including the specific objectives that these organizations intend. This may have an impact on how the measurements are performed and in the conception of competitive edge between NGOs, which although differs from one traditional for-profit organization, not cease to exist because it competes for resources for its own existence. This is what justifies the very use of these indicators, efficiency, effectiveness, productivity, as well as other OM concepts.

**Acknowledgments**

This project was financially supported by National Council for Scientific and Technological Development (CNPq-Brazil).

**References**


Miles, M. B., Huberman, M. A. 1994. Qualitative data analysis: an expanded sourcebook. SAGE Publications, USA.