



Understanding Process Management in Non-profit Organisations Without Formal Business Process Management

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Abstract. Non-Profit Organisations (NPOs) are crucial in society, but many have not adopted systematic Business Process Management (BPM). This qualitative case study explains how and why three South Africa NPOs manage their business processes without adopting BPM. Through inductive thematic analysis of interviews and organisational documents, we describe how NPOs manage processes instinctively and using strategic approaches. Maximising their use of technology was a useful method employed. The main drivers for managing processes were found to come from their governance and external bodies. The influential role of donors and auditors is described. These findings should help NPOs, their managers, donors, auditors, and consultants identify how to improve NPO processes.

Keywords: Non-profit · BPM adoption · Business process management

1 Introduction

Non-Profit Organisations (NPOs) are crucial in society, supporting government in service delivery, social and developmental issues [1]. Yet, many struggle to deliver their outcomes and comply with legislative obligations [2]. Organisational inefficiency reduces funding, highlighting the need for process management [3] and a lack business process management (BPM). BPM is a strategic management approach that improves organisational performance, flexibility, and strengthen competitive advantage through business processes [4]. A growing NPO market and a declining donor constituency, increase the need for competitive advantage [1]. Literature covers why organisations adopt BPM, but not non adoption and how NPOs informally manage processes. The BPM community has called for empirical case studies to understand organisational issues with BPM [5]. Hence, we tried to answer: Why is there a lack of BPM adoption in NPOs and how do NPOs who have not adopted BPM manage their processes? This paper now briefly reviews literature, the method, findings, limitations, and conclusion.

2 Literature Review

Process work is stated to currently be in a lull between hypes, and transforming into digital transformation [6]. While 84% of companies surveyed are committed to business

process work, only 23% consider it a strategic commitment and only 15% have an organized BPM group. Process focus has waned to merely improving specific departmental processes. An organisational innovation is as an idea or behaviour that is new to the organisation [7]. BPM is considered as an organisational innovation for NPOs, hence the conceptual framework of organisational innovation adoption (CFOIA) framework [8] could explain BPM non-adoption. According to CFOIA, the adoption decision goes through the stages of awareness, consideration, and intention to adopt which are influenced by the perceived characteristics of the innovation, the adopter characteristics and environmental influences. The perceived innovation characteristics are influenced by supplier marketing efforts, the social network and environmental influences [8]. During awareness, organisations learn about their inefficiencies, obtain the desire to change and learn about BPM [9]. NPOs using BPM, did recognise their problems and saw BPM as the solution [2]. A lack of BPM awareness is a general concern [10], in Bosnia, a lack of BPM awareness across NPOs was noted [11]. If NPOs are aware of BPM they may not have made a decision to reject BPM. Once an NPO recognises BPM as a solution, it can consider if it is necessary and what the alternatives are. Issues that negatively affect BPM adoption can include: a lack of practical guidelines to ensure critical success factors are achieved [12], a lack of awareness of process-orientation [11], the confusion of BPM with WFM [2] and the difficulty of affecting process-based work despite considerable investment into BPM initiatives [13].

3 Research Method

Our purpose was to understand Process Management in NPOs without formal BPM. The interpretive paradigm followed in this study seeks to understand the way humans interpret their roles as social actors with emphasis placed on conducting research among people in their natural environment [14]. In this study, a NPO was considered to be the case and unit of analysis. Yin [15] suggests that something needs to make the case special. The distinctive event defining a case in this study, is the non-adoption of BPM. This study included three South African NPOs who had not adopted BPM. The three NPOs selected are all classified as Small to Medium Enterprises. The research design was submitted to the university's ethics committee for approval prior to data collection. The primary data was semi-structured interviews supplemented by secondary data. Using purposive critical case sampling [16], we selected to interview members of senior management at NPOs, based on their critical knowledge of their NPO's decisions. All signed a participant consent form and were given a unique code (P1–P7) to keep their identities confidential. The three cases are now described. NPO-A, a registered non-profit company, publishes religious artefacts to make them accessible in suitable formats to all people in South Africa in all 11 official languages and has a literacy program for school children. NPO-B, a voluntary association in the sports sector, has as a core focus the administration of a sport (which is not revealed to protect anonymity) within a province, spanning grassroots development to the professional provincial team. They are affiliated to a national body, their primary funder. NPO-C, a religious institution, is a voluntary association. Their core focus is to train, encourage and coordinate religious workers in South Africa. The regional office included in this study, reports to the national office, but is run autonomously.

Table 1 shows the data collected. The data was analysed following the inductive thematic analysis procedure of Thomas [17] and used the Nvivo software package. Firstly, raw data were prepared by transcribing the audio files into text files and importing them into Nvivo. Coding initially revealed seventy-three codes which were iteratively revised to 15 codes and were then categorised into seven theme categories.

Table 1. Data collected

NPO Id	Interviewee data (Years of Experience)	Secondary data
NPO-A	Head of IT (20), Head of Finance (9), CEO (4)	Annual Reports (SD1, SD2)
NPO-B	Company Secretary (10), Services Manager (3)	Annual Report (SD3)
NPO-C	Regional Director (4.5), Staff Worker (1.5)	Minutes (SD4), Website (SD5)

4 Findings and Discussion

Our findings are now discussed. Our first finding was that in all NPOs, there was a distinct lack of BPM awareness and no formal decision, to not adopt BPM was taken.

4.1 There is a Lack of BPM Awareness, BPM Evaluation and BPM Resources

BPM was not clearly understood by NPOs, who assigned their own definitions to BPM. Only one of the respondents had previous BPM experience while employed at a large corporation. Respondents that were aware of BPM, were confused about what BPM was and hence did not think it was necessary. Their awareness of BPM did not make the link between their inefficiencies and adopting BPM as a potential solution. None of the NPOs had considered adopting BPM and hence had not formerly decided to not adopt BPM. This confirms what was found in literature, that NPOs need to know what BPM is before they can accept it [9]. Even if they were aware of BPM, resourcing was a challenge to BPM consideration. When asked what it would take to run processes optimally, respondents in two NPOs referred to resources as a challenge, as funding and capacity are a problem. The number of posts in many cases are restricted and hence many strategic implementation projects can't be implemented. BPM implementations are costly and time-consuming [18] which is a barrier to BPM adoption. When asked about alternatives to BPM most respondents didn't think that there were any, citing BPM as the only way to improve organisational performance. This is not reflected in the data, as there are other ways they manage processes which we now describe. The final list of codes and categories with sample quotes in support are in Table 2.

Table 2. Data coding results

Categories and (Sub-Themes)	Data quote [Data source]
A Lack of BPM Awareness BPM has not been Formerly Considered or Evaluated	I am aware of business process management, we didn't call it that, we called it business optimisation and we used it mainly to review our internal structure [P4]
A Lack of Resources for BPM	In terms of the plan for the next five years, the organization realized that it lacked capacity to fully actualize strategic thrusts [SD3]
NPOs Instinctively Manage Processes	Well I think that it's something instinctively that is part of our leadership approach at the moment. I think it's part of our governance [P3]
(By Maximising the Use of Technology)	I went to visit them in February live.. and people thought I was their best friend because they know me from the Skype and they gave us a very generous gift... but that's amazing what technology can actually do [P5]
(By Maximising Human Resources)	That is why they are appointed.. they get measured against an execution agreement and an internal performance review [P7]
(Through Organisational Learning)	Because this issue has arisen, how do we function not only how do we manage it well, do our policies and procedures, are they up to date enough to manage this incident and inform us of how we operate [P6]
NPOs Employ Strategic Approaches to Manage Processes	We have policies and procedures in place, to manage the efficiencies and make sure that the operational processes are in place [P7]
(Using Structural Re-alignment)	This restructure will allow for a more sharply focused sales division on the one hand, and on the other a marketing division that will focus fully on marketing not only the products but indeed the total brand and mission [SD2]
(Through External Collaboration)	[NPO] is in competition with other sports... but the way to deal with it is by joining forces with them. For example, hosting [two other sports] matches [SD3]
(Through For-profit Revenue Activities)	We did have a team of marketers, but now it was expanded to sales people [P1]
(By Using Audit Controls to Manage Processes)	In our auditing processes and the controls that we have introduced for stock control and stock levels as well, also the cash handling as far as donations is concerned and so on, then it is in terms of standard business practice [P1]

(continued)

Table 2. (continued)

Categories and (Sub-Themes)	Data quote [Data source]
NPO Governance Drives Process Change (NPO Boards Ensure Strategic Objectives are Achieved) (Processes are Controlled by Donors)	Whilst the strategic direction of the organisation is determined by the Board of Directors and institutionalised by its subcommittees, the strategy is operationalised through the Chief Executive and his Executive Management team [SD3] We took some funding which was around our life skills stuff, but it actually messed up our basic ethos and key functions of what we were doing, so instead of us utilising life skills as another objective, it actually became the tail that wags the dog and a lot of those, what we were known for, got lost [P6]
External Bodies Impact Processes (Through Advice from Auditors and Consultants) (Through Advice from Sister Companies) (Through Legislative Compliance)	[NPO] finished fourth on the [mother body] Incentive Scorecard system - that rewards members who exceed in delivering the basic activities and compliance requirements of the [mother body] [SD3] We had the auditors as well, that came as advice, so we felt if we don't have the knowledge ourselves, we can always call in external guys [P2] Ongoing consultations with the [sister NPO1] and [sister NPO2], [mother body] and it's peer the [sister NPO3] and any improvements applicable to [NPO] is implemented [P4] If we didn't get certification then we wouldn't be able to host matches here, be it domestic or international matches [P4]

4.2 NPOs Instinctively Manage Processes

While they had not adopted BPM, the NPOs were functioning with sufficient efficiency. All NPOs had to report to their governance structures, and management teams had to deliver results and without making performance improvements, this requirement would not be met. Therefore, changes made to processes to improve performance, are seen as instinctive as organisational performance was attained without a formal approach to managing processes. Literature shows that governance is one of the core elements of BPM [19]. In the same way that BPM governance ensures good performance from a business process, governance structures at NPOs ensure good organisational performance. How they instinctively perform process management is now discussed.

All NPOs had seen significant benefits from the use of IT, although most respondents acknowledge that they have can improve their technological state. IT greatly impacted the efficiency of the operational processes at NPOs and helped create a space for new funding and the fulfilment of their social causes. One NPO found direct access to new funding from an international donor using video conferencing. This confirms literature

[20], that when NPOs adopt technology, they are likely to increase their funding. IT use was reported in annual reports presented to donors and, in line with literature [21], that using enterprise systems benefitted NPO's process performance.

Maximising human resources was seen to be instinctive management of their processes. NPOs try to employ talented staff, making sure that the employee's skills and capabilities match roles adequately. Performance of employees is then managed to ensure that the NPO receives maximum return on investment from staff. Employees are also trained to ensure that they remain productive. NPOs realise the importance of their employees as a core element of organisational performance. This is like the importance BPM literature places on people, where business process performance is as a direct result of people capabilities [19], a core BPM capability.

NPOs deal with problems when they arise and often make improvements based on these events. Organisational learning is then used to mitigate future occurrences of the event. Two of the NPOs referred to this for dealing with problems. Organisational learning is defined as process where organisations learn from their understanding and consequent management of their experiences [22].

4.3 NPOs Employ Strategic Approaches to Manage Processes

While process management was instinctive, strategic approaches, other than BPM, were also employed. NPOs confirmed that they have strategic plans in place to achieve improved efficiency through four strategic approaches. Firstly, NPOs realign their structure to achieve their efficiency strategic goals. Commitment to process-orientation often leads to structural redesign in BPM [23]. It is interesting to note the similarity between re-aligning for process-orientation in comparison to NPOs re-aligning for strategic ends. Secondly, to achieve improved efficiency, NPOs collaborate with like-minded competitors as an alternative to gaining a competitive advantage on them. All NPOs acknowledged the existence of competition within their respective sectors and surprisingly identified a preference for collaboration as opposed to gaining competitive advantage over them. As NPOs seek to benefit society rather than make profit, they choose to work together, mitigating the risk of unnecessary competition. Thirdly, while NPOs are not competing for profits, they sometimes employ for-profit activities to fund their social causes and gain a competitive advantage [24]. All three NPOs had for-profit activities as an alternate source of funding to donations. One NPO found that they could rent the unutilised sections of their property and one NPO adapted roles to suit for-profit activities. A final strategy employed by all NPOs, is to follow audit controls within their processes. This puts stakeholders at ease, as compliance with audit requirements reduces mismanagement of NPO resources. Data found in annual reports stress the importance of audited financial statements, defining them as imperative to fiduciary responsibility. Audit controls drive the sustainability of NPO's performance and process change. There is related to the growing understanding that BPM is needed ensure a connection between strategy and compliance [6].

4.4 NPO Governance and External Bodies Drive Process Change

The respondents described drivers of process management. The dominant driver category was NPO governance that can sustain and improve organisational performance. All NPOs have good governance structures, where their executive management teams are accountable to their respective boards. This accountability strengthens the performance of the NPO, as strategic objectives get implemented operationally. Two NPOs demonstrated a clear boundary between the board and the executive management team which reduces the risk of board members influencing operational decisions and allows the management team to freely decide on the operational activities needed to deliver strategic objectives. Two NPOs found that their processes were controlled by funding which had both positive and negative implications for the NPOs. This can either erode or improve organisational performance, having positive and negative implications for the NPO's business processes. This finding confirms literature that NPOs often relinquish some decision-making to secure a donor's financial support [1, 24]. Most participants could identify at least one source of external advice, such as auditors or consultants, that used to improve their processes. NPOs also look to their sister organisations to share solutions and then adopt solutions that have been found to have some success. Literature speaks of the degree of interconnectedness between NPOs having an influence on the decision of NPOs to adopt BPM [8]. If BPM is discussed within the social circles, it is likely to be adopted. This is somewhat confirmed by the findings of this study, NPOs do adopt innovations shared within their social circles, but they have not found BPM yet. Government often has a role to play in the environment of an NPO, as legislative requirements set by government often force an NPO to adapt its processes. Two of the NPOs expressed concern about legislative compliance affecting their processes. Literature case studies exist demonstrating the successful implementation of BPM and the benefits of legislative compliance as a direct result [9, 25]. In this study NPOs were adapting processes to ensure legislative compliance.

5 Conclusion

While NPOs play a crucial role in society, there is evidence that many could benefit from BPM. This research aimed to understand how and why NPOs manage their business processes when not using a formal BPM method. The findings are modelled in Fig. 1. The three South African NPOs studied, had not made a formal decision to not adopt BPM, were unaware of or misunderstood BPM, did not have the relevant resources for it, and hence had not evaluated it. Yet they instinctively managed processes and employed strategic approaches to manage processes. The dominant approaches were using relevant technology and skilled staff and through structural alignment. The main drivers for managing processes were from their governance and external bodies. From a research perspective we have provided a description of process management dynamics in NPOs. Yet this study has limitations. Firstly, the context is restricted to NPOs in South Africa who had not adopted systematic process management. It would be useful to study NPOs who have adopted BPM and NPOs in other regions. Secondly, while the interpretive method gives richness of understanding, it has limitations. Another method,

such as critical realism, could give a richer understanding of the mechanisms driving process management and why they are not always successful.

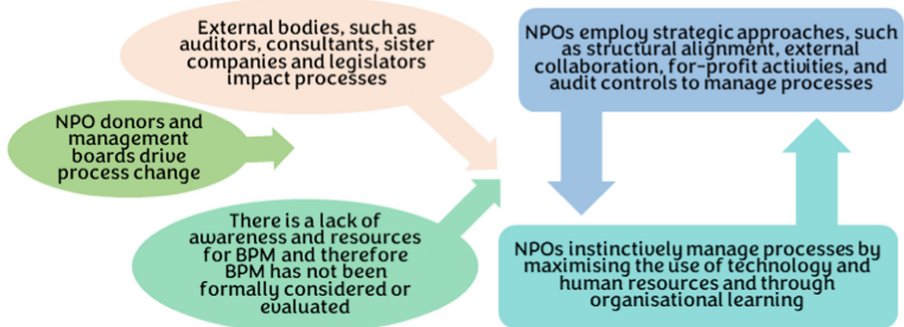


Fig. 1. Model of NPO process management

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