

Tomasz Dyczkowski

Wrocław University of Economics

DESIGNING MANAGERIAL CONTROL AND REPORTING SYSTEMS FOR NON-GOVERNMENTAL ORGANISATIONS

Summary: The paper introduces a process of designing managerial control and reporting systems in non-governmental organisation. The first part defines stages of a development process, including: identification of vital information areas, analysing data acquisition and integration procedures, setting steering values and monitoring operations of a system. Close attention is paid to an information database of NGOs, including data required for obligatory reporting and those used internally only. The second part emphasises a need to integrate information resources of an NGO in order to stimulate such managerial functions as: strategic planning, resources allocation, staff management, project monitoring, and coordinating internal and external information flow.

Keywords: information systems, managerial control and reporting, non-governmental organisations.

1. Introduction¹

The idea to introduce managerial control and reporting systems in non-governmental organisations (NGOs) may be controversial. On the one hand, in the face of a constant shortage of funds in comparison to social needs which aimed to be fulfilled, any additional form of control will engage human, financial and time resources at a cost of statutory activities. Moreover, those NGOs which have a status of public benefit organisations or co-finance their operations with public subsidies are already subjected to intensive control and reporting procedures, perceived as too bureaucratic [see Meyer 2005, p. 3]. On the other hand, non-governmental organisations are dependent on support from individuals or institutions in forms of donations, social work, sponsorship, grants or subsidies. For this reason, they have to develop internal mechanisms which help them to monitor and demonstrate effects of their actions to

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various stakeholder groups. This task is even more challenging for NGOs than for businesses, as – with no profit generated – other performance measures, including social effectiveness and operational efficiency must be developed and applied [see Finkler 2005, pp. 20–21].

In the foregoing context the research made by the author in 2007 and repeated in 2012 revealed a serious impediment. It turned out that the non-governmental sector does not find or cannot afford external support in developing any of the aforementioned tools. Based on responses of over 100 organisations from Poland and Germany, and a smaller group of charities from the United Kingdom, it was stated that NGOs, while developing control or reporting mechanisms, rely – or have to rely – on their own knowledge and experience, or – in the worst case – on their intuition. Over half of Polish NGOs and nearly every second from the two other countries have no access to any information on how to develop budgeting, control, costing, controlling or management information systems. If they use any support, it comes mostly from other non-profits or umbrella organisations supporting social initiatives in a state [see e.g. Dyczkowski 2010, pp. 170–171].

In this respect the objective of this paper is to present the process of designing managerial control and reporting systems for non-governmental organisations, identifying problems at each stage and suggesting solutions which may be available to a broader group of non-governmental organisations, in particular those operating in Poland.

Beside theoretical discussion, the paper brings forward findings based on two sources. The first one is the research project “Financial Monitoring in Charities: European and Polish Solution”, carried out by the author in 2004–2010. The second one comprises analyses carried out within the research project “Economics of Contemporary Philanthropy”, which is currently being conducted by the author.

2. The stages of development processes

Non-governmental organisations – just as any other entities acting in the market economy – have to plan their activities, manage resources, control operations and evaluate results. And they do it, more or less efficiently. It is, therefore, reasonable to ask what advantages a systematic approach to managerial control and reporting would bring, so that it is worth investing deficient resources. The answer is as follows. Such a solution implies a systematic, complex, and – above all – purpose-oriented approach. Thus, it guarantees both higher reliability of information generated and provides social managers with new sorts of information [see Schubert 2001, p. 1].

There is no rule to decide when an NGO has to systematise its information flows. Positive responses to the following four questions could be, nonetheless, treated as a warning signal to do so [see Schubert 2001, p. 2].

1. Does an NGO constantly struggles with “urgent” problems, instead of planning for the future?

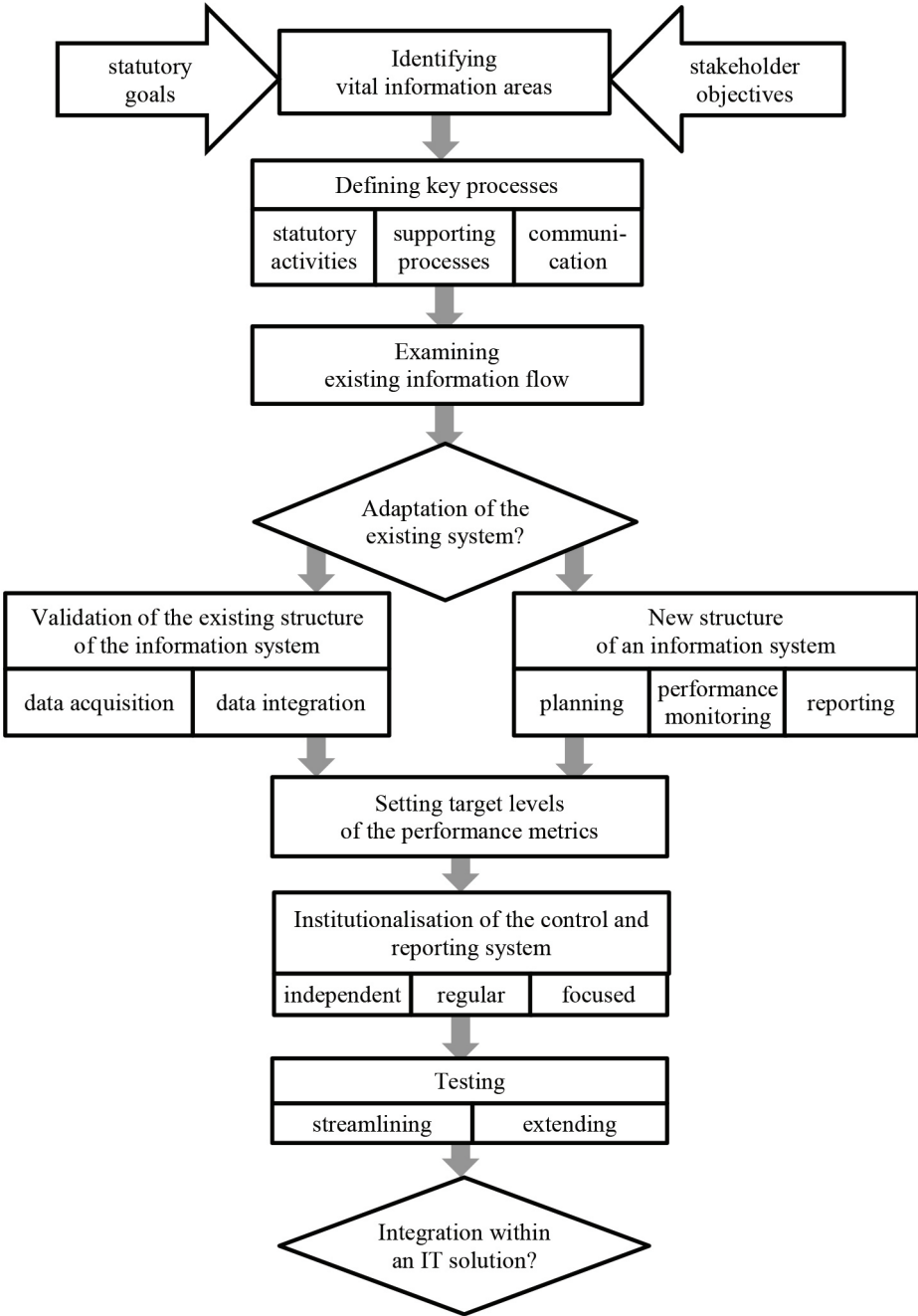


Figure 1. Development process of a control and reporting system for non-governmental organisations
Source: own elaboration.

2. Are social leaders given different reasons for problems, depending on who they ask?

3. Do leaders have to found their decisions on intuition rather than facts, since required information is unavailable, outdated or cannot be verified?

4. Are leaders unable to predict what effects an NGO will achieve in a current period?

The first stage of designing a tailored managerial control and reporting system in an NGO (see Figure 1) is to identify vital information areas, related to statutory activities of an organisation and its relations with various stakeholder groups. Both information deficit and overflow are undesired if a decision-making process is to be streamlined.

As visible in Table 1 only a part of information which makes a database for NGOs is recorded and reported by those organisations with regard to legal regulations (mainly the Minister of Finance Regulation of 15 November 2001 on specific accounting rules for some non-commercial entities which do not conduct business activity or the Minister of Justice Regulation of 8 May 2001 on the framework for reporting activities of foundations, which is binding also for all other types of NGOs that acquired the status of public benefit institution). And even if the mandatory requirements do help to make operations of the non-profit sector in Poland more transparent, a focus of reporting on closed periods and projects makes them of limited use to managerial purposes.

Considering the ultimate objective of a managerial control and reporting system, an early phase of its development should comprise a thorough analysis of an information environment of an NGO. This requires to itemise tasks conducted by an organisation, identify resources and people involved in those tasks, describe decision-making processes and accountability areas, as well as determine influences of particular stakeholder groups. This enables to identify key processes that ought to be monitored and information needed to speed up decision-making processes.

The following stage of the designing process involves a scrutiny of an existing information flow – which not necessarily forms any system – respecting possibility of using it in the future. Firstly, it has to be examined whether an organisation collects required information in sufficient detail, and what blank spots there exist. Such an analysis implies a decision whether current solutions can be modified at all, or a systems will be built from scratches.

If an information flow existing in an organisation is to be adapted, numerous problems with collecting information and integrating them in a database have to be overcome. Firstly, an organisation may not be aware what information is relevant. Secondly, charitable organisations do not always pay enough attention to sources of information they use (the recent case of a number of malnourished children in Poland) or whether information is up-to-date. Thirdly, NGOs are not familiar with available sources (unfortunately, this includes results of various research projects). The next problem is that information from different sources is not confronted and that original data and second-hand relations are treated as equally reliable.

Table 1. Information database for non-governmental organisations

Area	Information needs	Availability in obligatory reporting and external information sources
Social environment	<ul style="list-style-type: none"> – demand for social services – scope of meeting those needs, other providers (public and private) – requirements of market regulators and those of other stakeholder – available resources: financial, material, human – financing sources – business partners and community supporters 	not covered: some analyses are made by umbrella organisations, the Department of Public Benefit of the Ministry of Labour and Social Policy or by researchers
Financial activities	<ul style="list-style-type: none"> – available funds, organisation's assets, – revenues on statutory activities, donations, income on NGO's properties – cost of statutory activities, administration cost – liabilities 	covered: financial statements of non-commercial organisations, annual accounts of foundations and public benefit organisations (PBOs)
	<ul style="list-style-type: none"> – income on fundraising, fundraising cost – cost of particular social projects 	partially covered: voluntary extension to foundations and PBOs reporting
Human resources	<ul style="list-style-type: none"> – organisation members – paid staff, including office staff and managers – personal cost, including that of administration – number of volunteers 	covered: annual accounts of foundations and PBOs; reports submitted to Central Statistical Office
	<ul style="list-style-type: none"> – tasks performed by members and volunteers – staff qualifications and competencies – training for staff, including that for volunteers 	partially covered: might be referred to in reporting on tasks contracted with public institutions
	<ul style="list-style-type: none"> – staff rotation, sustainability of volunteer support – satisfaction of staff and volunteers – market equivalent of community work 	not covered: some analyses are made by umbrella organisations
Beneficiaries	<ul style="list-style-type: none"> – number of beneficiaries of certain kinds – number of beneficiaries who pay for services – number of new beneficiaries – satisfaction of beneficiaries 	partially covered: voluntary extension to foundations and PBOs reporting, referred to in reporting on tasks contracted with public institutions
Donors, supporters	<ul style="list-style-type: none"> – value of donations 	covered: financial statements of non-commercial organisations, annual accounts of foundations and PBOs
	<ul style="list-style-type: none"> – number of donors, including long-term supporters 	partially covered: voluntary extension to foundations and PBOs reporting
	<ul style="list-style-type: none"> – social profile of donors – motivation of donors 	not covered: some analyses are made by umbrella organisations

Source: [Dyczkowski 2012, p. 63].

In reference to problems in integrating new information with the existing one other problems can be named [see Kantyka et al. 2005, pp. 116–117]. Firstly, existing information may be replaced with new one, without considering its validity. Secondly, outdated information is stored together with updated one, which slows the decision process down or results in building plans based on wrong assumptions.

The ultimate stage of designing managerial control and reporting system for a non-governmental organisation comprises two tasks. The first is to decide upon threshold values which – when surpassed – should make managers investigate certain processes. The second is to decide who will receive such signals and how they should react.

The first objective, when an organisation draws up annual, task-related or project-linked budgets, will be achieved by determined critical values in reference to closed periods or finished projects. Otherwise an organisation should look for external benchmarks or derive the threshold from desired end-levels.

The second problem can be referred to as institutionalisation of a managerial information system. Such a system can neither rely on reports generated by certain units of an organisation or project teams, nor be based on information delivered on demand only. The first situation implies that opinions on effects achieved and related cost are biased. The other situation poses a risk that information received is outdated or incomplete, as the period between request and report delivery is usually short. Ideally, a managerial control and reporting system is managed by an independent person – a controller – who scrutinises various pieces of information and reports, confronts them, and selects those which are essential to meet certain decisions.

It should be added that a development of a control and reporting system is a continuous process. The effects of running a system and its impact on social activities should be scrutinised. Such an analysis will help to identify information which is still missing or eliminating the one which is less relevant.

3. Integrating resources of the information system

The objective of a management control and reporting system in an NGO is to collect, store, and present requested information related to any social programmes and projects within a scope of its statutory activities. In addition, all related fundraising, investing and administrative tasks should be covered. Such an objective will be fulfilled if vital decision-making areas of an organisation are supported. This includes: strategic planning, resources distribution, human resources management, project monitoring and coordination, managing project flow and internal communication, as well as fundraising, promotion and managing relationships with stakeholders (see Figure 2).

The most fundamental functionality of the presented managerial information system is to organise all kinds of information on social programmes and projects, together with all supporting activities, in the form of a central database with a possibility to aggregate information into reports requested by users. In the case

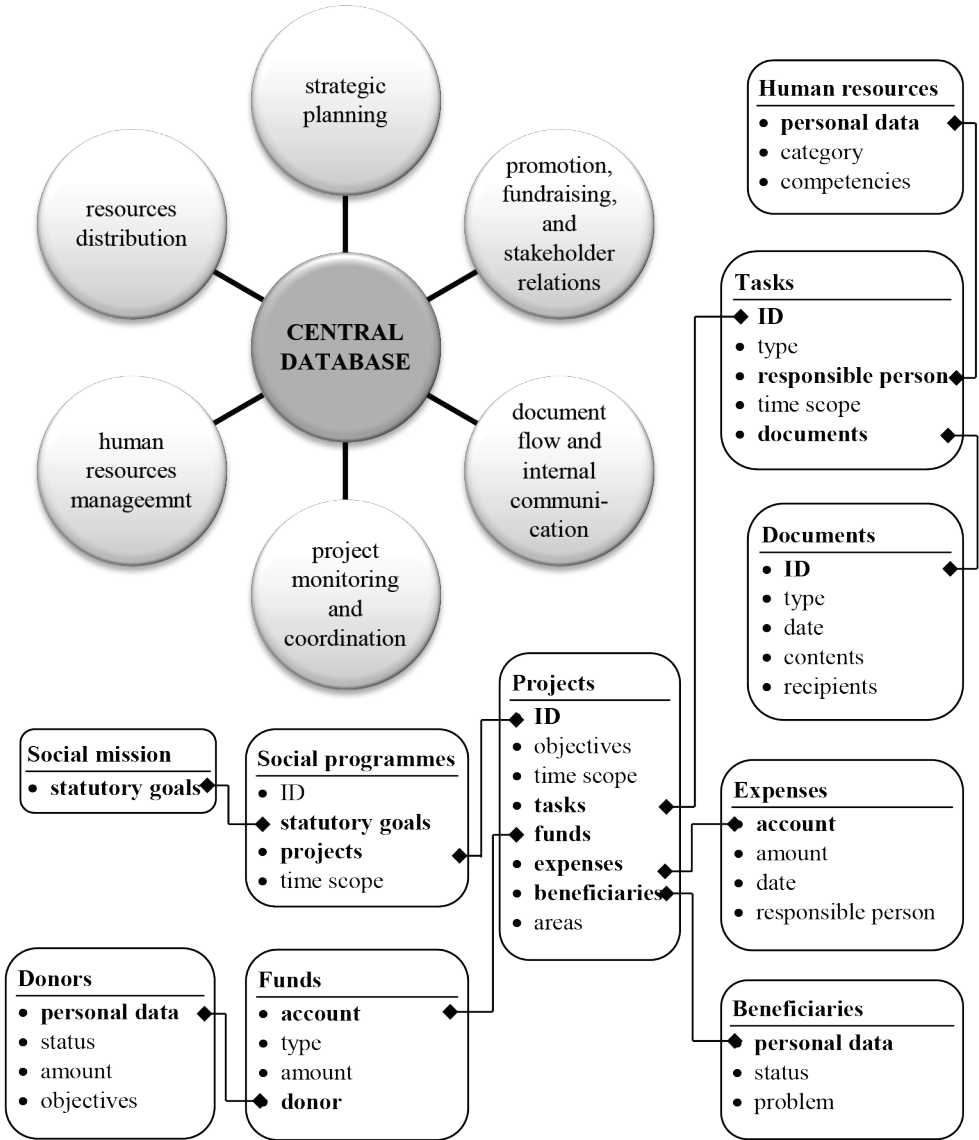


Figure 2. An integrated management control and reporting system for non-governmental organisations
 Source: own presentation.

of an NGO, the following sets of data should form the aforementioned relational database:

- statutory objectives, which can be attributed to particular programmes and projects,

- social programmes, which will be associated with projects, beneficiary groups, geographical areas or periods,
- organisational staff – including: regular employees, part-time helpers, volunteers, office staff and managers – who can be linked to project teams, as well as members, donors or other stakeholders vital to an NGO,
- funds, which will be linked both to projects, but which can be also associated with particular donors,
- task lists, which can be attributed to projects, linked to responsible personnel or associated with certain documents and messages,
- expenses titles which will be associated with projects, tasks or people responsible for their authorisation,
- and document which will refer to projects or staff members.

When functionalities of an integrated information system are described, the strategic planning should be addressed first. It can be based on a project portfolio model and operationalized with a balanced scorecard concept. With regards to such characteristics of projects as: statutory tasks, beneficiary groups, place where a project is conducted, social effects expected, necessary resources and risk factors involved, an NGO may map its activities, prioritise them and coordinate particular programmes in order to maximise effect-to-cost relation [see exemplary model in Kafel 2010, pp. 304–307].

A procedure to allocate funds (and resources) refers to an analysis of financing priorities and limitations imposed by donors and sponsors. Information on donors' preferences not only helps to predict what resources are available to particular social programmes or areas where an organisation operates, but also facilitates targeting of promotion and fundraising campaigns so that they match expectation of supporters [see Iwankiewicz-Rak 2011, pp. 679–680]. It must be remembered that donors and sponsors are rather conservative and consistent in their decisions what actions to support [see Waniak-Michalak, Zarzycka 2012, p. 158], so innovative social initiatives must be well promoted. The funds allocation functionality may be also used in reporting to donors. If certain funds used by an organisation have a founder attribute added, it will be possible to detect what social effects they helped to obtain. Such information may be passed to donors and prove that an organisation feels responsible for using donations effectively.

In the area of human resources management an integrated information system should, most of all, coordinate allocation of staff to already conducted and planned projects (an example for such an approach can be found in [Brown, Schmied 2012, pp. 20–22]). In the case of more complex organisations, requests for personnel will be placed by project managers. Those are confronted with current workload of employees, information on days-off planned and other relevant information. This procedure not only helps to use human potential of an NGO better, but also reveals problems, which implies organising seminars for staff, if certain competencies are scarce, or recruiting new staff members or volunteers. It must be remembered

that NGOs must consider expectations and aspirations of their personnel and, in particular, those of unpaid members and volunteers. Uncompetitive salaries, or no remuneration at all, mean that satisfaction from effects of social work is vital so that support is continued.

A centralised repository of all documents related with closed, currently conducted, and planned social projects, which is accessible by all authorised staff members, has at least three advantages. Firstly, documents can be downloaded or uploaded anywhere, which facilitates operations of subsidiaries and teams working in remote locations. Secondly, staff members operating off site remain up-to-date with a project status. Finally, project managers or organisational controllers may monitor business transaction related to particular projects, track liabilities and decide how much money will be allocated to particular projects at a certain time.

Co-ordination and monitoring of organisational operations refers to the entire scope of activities conducted, including: social projects, fundraising, administration work and individual tasks and processes within those areas. Such an examination should involve both quantitative and qualitative aspects.

The proper monitoring system will incorporate both automatic messaging, regular reporting and reporting on demand. The first type is based on previously defined quantitative objectives, milestones or deadlines, and requested levels of performance measures. When thresholds are surpassed or significant variances appear, project managers or controllers should be alerted. Regular, standardised reporting involves generation of accounts on project status, including work progress, expenses incurred or effects gained. Those values are usually confronted with schedules and budgets, and all substantial discrepancies are presented. Regular reports are usually generated in predefined formats and delivered to a certain list of recipients, which beside project managers and teams, a controller and organisational managers, may include – in an excerpted form – sponsors or even the general public. Finally, reports on request should be considered. Their scope depends on particular needs, usually associated with a certain decision-making problem.

It should be considered that integrated information systems are available and designed for the most complex organisations (an interesting study on benefits from using modern business intelligence systems in the health-care sector can be found in [Olszak, Batko 2012, p. 135]), running plentiful social projects or operating through subsidiaries, even on an international level (see a description of the model developed for international aid frameworks in [Pereira Serras, Nosoliny 2012, pp. 66–68]; and for Lithuanian public sector in [Ruževičius, Klimas, Veleckaitė 2012, pp. 7–9]). This results from a necessity to obtain IT infrastructure, hire qualified staff and incur cost of implementing and maintaining such a system. Other NGOs may consider less sophisticated solutions based on typical office suites, which support budgeting processes well enough, particularly if combined with typical accounting software.

4. Conclusion

If a contemporary non-profit organisation wants to fulfil its social mission, it has to raise funds which compensate lack of or limited payment from a beneficiaries' side. Consequently, a specific trilateral relation between an organisation, its supporters and beneficiaries emerges. In this situation an NGO has to guarantee that transactions with donors are equivalent. In other words, an organisation must provide its supporters with facts which prove that they are contributing to a successful social initiative. Considering also a vast use of public funding to non-governmental activities, there appears a need to demonstrate tangible effects which justify the opportunity for private organisations to benefit from tax allowances and public subsidies.

In the foregoing context this paper introduced a methodology of developing a managerial control and reporting system for an NGO. It emphasised complexity of tasks to capture effects of organisation's social work by pooling obligatorily registered and voluntarily stored information with or without support of an integrated IT system.

The major conclusion that should be drawn is that it is possible for a NGOs to build an image of a credible and responsible social organisation, which cares how it uses its financial and non-financial resources if the following three conditions are met. Firstly, an NGO has to assess tasks performed by employees and managers of an organisation, as well as its members or volunteers, ideally in the form of regular reports. Secondly, it should identify, analyse and learn from all problems that appear. And, thirdly, it ought to introduce a peer control in project teams, which should not exhibit distrust but, on the contrary, a mutual support and an interest in obtaining the common goal.

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PROJEKTOWANIE ZARZĄDCZYCH SYSTEMÓW KONTROLI I RAPORTOWANIA DLA ORGANIZACJI POZARZĄDOWYCH

Streszczenie: Artykuł przybliża proces projektowania zarządczego systemu kontroli i raportowania dla potrzeb organizacji pozarządowych. Pierwsza jego część definiuje etapy procesu, a w szczególności: identyfikację kluczowych obszarów informacyjnych, analizę poprawności pozyskiwania i integracji danych, ustalanie wartości granicznych modelu, jak i kontrolę działania systemu. Wskazano przy tym, które informacje są gromadzone przez omawiane jednostki obligatoryjne, a które należy pozyskać dodatkowo. Druga część artykułu wskazuje na potrzebę integracji zasobów informacyjnych jednostki, aby efektywnie wspierać menedżerów w realizacji takich zadań, jak: planowanie strategiczne, alokacja zasobów, zarządzanie kadrami, monitorowanie projektów oraz sterowanie przepływem informacji wewnątrz i na zewnątrz jednostki.

Słowa kluczowe: systemy informacyjne, kontrola i raportowanie zarządcze, organizacje pozarządowe.