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## Article

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# Logistic processes in non-governmental organisations and their impact on the activity of entities in the Third Sector in Poland

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## **Abstract:**

**Aim:** The publication is an attempt to demonstrate the relationship between the economically efficient management of a modern non-governmental organisation and various logistic processes affecting its financial result.

**Design / Research:** On the example of selected logistic processes occurring both in public benefit organisations and in traditional enterprises, it was shown that the management model taking into account the interdisciplinary role of logistics can be successfully applied in organisations of the Third Sector.

**Conclusions / findings:** The relation between logistic processes and the implementation of development strategies of non-governmental organisations in Poland is a broad and little researched issue. The majority of associations and foundations face problems related to many aspects of management at the operational level, which has a significant impact on the effectiveness of implementation of the adopted strategy. Awareness of various logistic processes influencing the efficient functioning of the Third Sectors' organisations is therefore a key issue from the perspective of expenditure control and strategic management.

**Originality / value of the article:** Observations on the occurrence of processes of similar nature in enterprises and entities of the Third Sector constitute an innovative approach to the issue of management in non-governmental organisations. Such a perspective enables a multidimensional, systematic approach to various areas of the organisation, which may directly contribute to the improvement of its functioning.

**Keywords:** *non-profit institutions*, social entrepreneurship, social innovation, social economics, social values.  
JEL codes: A13, L3, L20, O35

## **1. Introduction**

On 24<sup>th</sup> of April, 2003, the government of the Prime Minister Leszek Miller adopted an act regulating voluntary and public benefit activities in Poland (the Act of 24 April 2003 on

Public Benefit Activity and Volunteerism), which constitutes solid foundations and encouragement for the development of the so-called 'civil society'. This idea is characterized by a society which, without any stimulation from the government, has the ability of self-organization and initiative to meet the needs of the local community. This ability to provide active aid, also known as the 'principle of subsidiarity', is a basic standard of a democratic state (Halszka, Kurlito 2008) and is that non-governmental organisations have the appropriate competences and autonomy to respond in the first instance in order to change the situation of local communities.

The possibility of financing various projects dedicated to the non-governmental sector by local government units resulted in Poles becoming more willing to engage in public benefit activities. At the beginning of 2018, over 22,000 foundations and 112,000 associations were registered in Poland, of which approx. 70 % (approx. 90,000 associations and foundations) are still active (Gumkowska 2018). On the basis of the Klon & Jawor Association's report published in 2018 it can be assumed that the main reasons for suspending or liquidating the activity was the difficulty in obtaining funds for the activity (in 2018 this type of problem was signalled by 70% of non-governmental organisations in Poland), insufficient number of volunteers for social work (68% of respondents) and 'burnout' of leaders (47% of respondents) (Charycka, Gumkowska 2018).

The decrease in the non-profit sector activity indicates that organisations should think about other ways of acquiring funds for statutory activity and not remain dependent only on local government units (it should be noted that 65% of non-profit organisations in Poland finance their activities from domestic public funds) (Charycka, Gumkowska 2018). In this case, the role of management may be important, taking into account the aspect of logistics, which should take into account the ways of obtaining finance, detailed budget management, areas of cost generation and sources of waste, and provide a comprehensive view of the non-profit organization as a set of various functions. It should be noted that processes and organizational problems occurring in the organisations of the Third Sector in Poland are very similar to those occurring in the profit-oriented enterprises. This is important because foundations and associations can carry out economic activities in order to finance their statutory activities (*Chcemy rozpocząć sprzedaż*, 2018). In this case, the only difference is the purpose of the establishment of the organisation – non-profit organisations operate for public benefit in the broad sense, while enterprises generate profits (*Z czego finansować działania, projekty?*, 2018). Therefore, it can be assumed that the company management model including, among others,

the aspects of logistics, communication, planning or control is as possible to be applied in the foundation or in the association.

According to the report of Klon & Jawor Association, an organization dealing with the issues of non-governmental sector in Poland, about 50% of non-profit organisations do not attach importance to strategic planning (Adamiak, Charycka and Gumkowska 2016) and, consequently, a comprehensive view of the organisation. The lack of standardization of activities, control of processes and perspective may be the cause of poor condition and what follows – slow disintegration of the organisation.

In order to diagnose the condition of non-profit organisations, it is necessary to take into account all factors related to its operating activity, including those related to logistical flows of physical goods, finances and information. It should be noted that role of logistics in non-government sector is often underestimated – perhaps this is related to the belief that logistics processes are limited only to the issues of transport, warehousing or forwarding. Logistics enables a comprehensive insight into the organization not only to diagnose problems, but above all to plan, implement cost-effective solutions optimizing various aspects of the non-profit activity. By implementing this, organizations could efficiently control and manage the processes of purchase and supply, storage and inventory, transport or even reduce waste.

## **2. The role of logistics in the management structures of a non-profit organization**

Although management definitions and its functions have evolved over last 100 years, it is now usually defined as the process of planning, organizing, steering, motivating and controlling (Skowronek, Sarjusz – Wolski 2012: 124). In recent years, an intensive development of a customer-focused management concept has been observed, which combines the functions of logistics and modern management theories – the so-called ‘logistics management’ (Skowronek, Sarjusz – Wolski 2012: 125). This concept, apart from the aforementioned focus on customer needs (in the case of non-profit organisations it will be the beneficiary), is characterized by a flat, horizontal organizational structure, integrating various functions of the organization. This management model focuses on processes that result in a measurable value or a material benefit from the perspective of the customer or beneficiary. It should be noted that logistics management is not a separate system of managing the organization (Sołtysik 1995), but is a complement to the organization from the perspective of many functions, integrated and interacting with each other. Satisfying the needs of the client / beneficiary is in such a way a strategic goal, which can only be achieved if there is an

understanding of the interdependencies and connections of different functions in the organization (Skowronek, Sarjusz – Wolski 2012: 131). Due to the interdisciplinary character of modern logistics and its comprehensiveness, it is possible to obtain a broad view of many interdependent activities carried out in non-profit organisations at the operational level.

It is important that logistics processes occurring in organisations (regardless of their functions in society) have a significant impact on their overall activity. It is hard to imagine a situation where, for example, in a hospital, due to lack of inventory control or poorly designed supply process, drugs necessary to save patients are running out. A similar situation may occur in a Retirement Home run by a non-profit organization – as a result of errors in the order, medicines that do not comply with prescriptions are purchased, which resulted in the death of one of the patients. The above examples – although dramatic and consciously exaggerated by the author – show to what extent the proper management of logistic processes influence the implementation of strategies by organizations.

The author risks a statement that the role of logistics in non-profit organizations is therefore to integrate various functions and activities through economically effective and comprehensive management of the processes of flow of goods, services, finance and information. The point of reference can be both the client and the beneficiary, who receive – depending on the nature of organisation's activities – a product or service that is in line with the contract or expectation (or guidelines of the local government units). An important criterion which is necessary to control and make decisions, is the development of a system of indicators which will allow to manage the quality system and identify any deviations in the processes. Due to such a solution, it will be possible to determine how efficiently a non-profit organisation implements the planned objectives and how its condition changes in determined time unit. The development of indicators may also allow for more effective optimisation of various costs associated with logistics processes – e.g. planning the cost of fuel, office supplies and food or waste reduction (time management, duplication of activities, lack of order in documents, etc.). A system of strict control over the flow of physical goods (in the case of public benefit organisations, these will include: fuels, consumables, medicines, clothing, food, equipment and others) and the related financial flow. Although deviations are an inevitable part of the planning process and it is not possible to eliminate them completely, comparing the previously planned values with the data obtained on an ongoing basis (e.g. every month, every quarter) enables better control over the implementation of the strategy (Nesterak 2004: 110 - 115). By doing this it is possible to react quickly and effectively prevent unfavourable events for the organization.

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**Table 1. Types of exemplary processes related to logistics in selected companies and non-profit governmental organisations**

Type of logistical process	Large manufacturing company	Wholesaler (building materials)	Transport company	Hospital	Non-Governmental Organisation (Social Welfare Home)	Non-Governmental Organisation (food distribution centre)
Purchase of materials, raw materials, fuel, etc.	SUPPORTING PROCESS	SUPPORTING PROCESS	SUPPORTING PROCESS	SUPPORTING PROCESS	SUPPORTING PROCESS	SUPPORTING PROCESS
Transport processes	SUPPORTING PROCESS	SUPPORTING PROCESS	PRIMARY PROCESS	SUPPORTING PROCESS	SUPPORTING PROCESS	SUPPORTING PROCESS
Inventory management, warehousing	SUPPORTING PROCESS	SUPPORTING PROCESS	SUPPORTING PROCESS	SUPPORTING PROCESS	SUPPORTING PROCESS	SUPPORTING PROCESS
Distribution of goods / services	SUPPORTING PROCESS	PRIMARY PROCESS	SUPPORTING PROCESS	PRIMARY PROCESS	PRIMARY PROCESS	PRIMARY PROCESS
Manufacturing	PRIMARY PROCESS	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE	PRIMARY / SUPPORTING PROCESS
Packaging, segregation, manipulation	SUPPORTING PROCESS	SUPPORTING PROCESS	SUPPORTING PROCESS	SUPPORTING PROCESS	SUPPORTING PROCESS	SUPPORTING PROCESS
Managing relationships with suppliers	SUPPORTING PROCESS	SUPPORTING PROCESS	SUPPORTING PROCESS	SUPPORTING PROCESS	SUPPORTING PROCESS	SUPPORTING PROCESS
Implementation of waste reduction concepts and continuous improvement (e.g. kaizen, 5S, lean)	SUPPORTING PROCESS	SUPPORTING PROCESS	SUPPORTING PROCESS	SUPPORTING PROCESS	SUPPORTING PROCESS	SUPPORTING PROCESS

Source: own elaboration.

**Table 2. Examples of indicators and methods for measuring the effectiveness of selected logistic processes in companies and non-governmental organisations**

Logistic process	Example of indicator / method – manufacturing company	Example of indicator / method – NGO (food distribution)
Completeness of deliveries to the customer / beneficiary	$cs = \frac{cf + ncf}{n} \cdot 100\%$ <p>cs – completeness of supplies  cf – completely filled questionnaires on delivered quantities  ncf – not completely filled questionnaires on delivered quantities  n – total number of surveyed customers</p>	$kfd = \frac{cd}{ad} \cdot 100\%$ <p>kfd – completeness of food deliveries to a beneficiary  cd – number of complete deliveries to a beneficiary  ad – number of all deliveries to a beneficiary</p>
Quality of the service / product (based on information from the customer / beneficiary)	$qsp = \frac{cc}{vs} \cdot 100\%; \text{ survey's timeline} = 1\text{month}$ <p>qsp – quality of provided service / product  cc – cost of complaints (PLN) including transport, compensations, etc.  vs – value of all sales (PLN) of the service / product</p>	$qs = \frac{ngq}{nb} \cdot 100\%; \text{ survey's timeline} = 1\text{month}$ <p>qs – quality of service  ngq – number of beneficiaries confirming good quality of provided services  nfi – number of all beneficiaries related to the service</p>
Criterion for the selection of suppliers*	Point method (relevant criteria: price, quality of material, time, completeness of deliveries, reliability of delivery, reliability of supplier)	Point method (essential criteria: delivery reliability, food quality, packaging quality, availability, distance, time from order to delivery).
Transport**	Records of the use of means of transport, fuel purchase control, vehicle maintenance, separation of transport costs, outsourcing	Records of the use of means of transport, fuel purchase control, vehicle maintenance, separation of transport costs, outsourcing

Source: own elaboration based on Sterniczuk & Kołowski (2013); Zimniewicz (2003).

\* It is the good practice to periodically evaluate suppliers (services, materials, media) and the level of provided services (Dąbrowska – Mitek 2003). A simplified assessment can be carried out according to the supplier selection criteria relevant for the organisation. Due to the specific nature of activities of non-governmental organisations and their environment, the criteria may be different. For instance, an effective method may be the organisation of meetings of workers who are responsible for various aspects of organisation's functioning. This approach allows the issues or problems to be dealt with from a number of different points of view.

\*\* In many NGOs transport processes are often not sufficiently monitored. The good practice may be running logbooks of the use of the means of transport. Such logbooks should include the routes tracking, distances, drivers and purposes of the use of vehicles to reduce 'empty runs' to a minimum. Another problem may be vehicles in poor technical condition which generate high costs due to frequent repairs. The monitoring of costs may significantly facilitate the decision-making process related to the acquisition of a new and more economical vehicle (e.g. through fundraising).

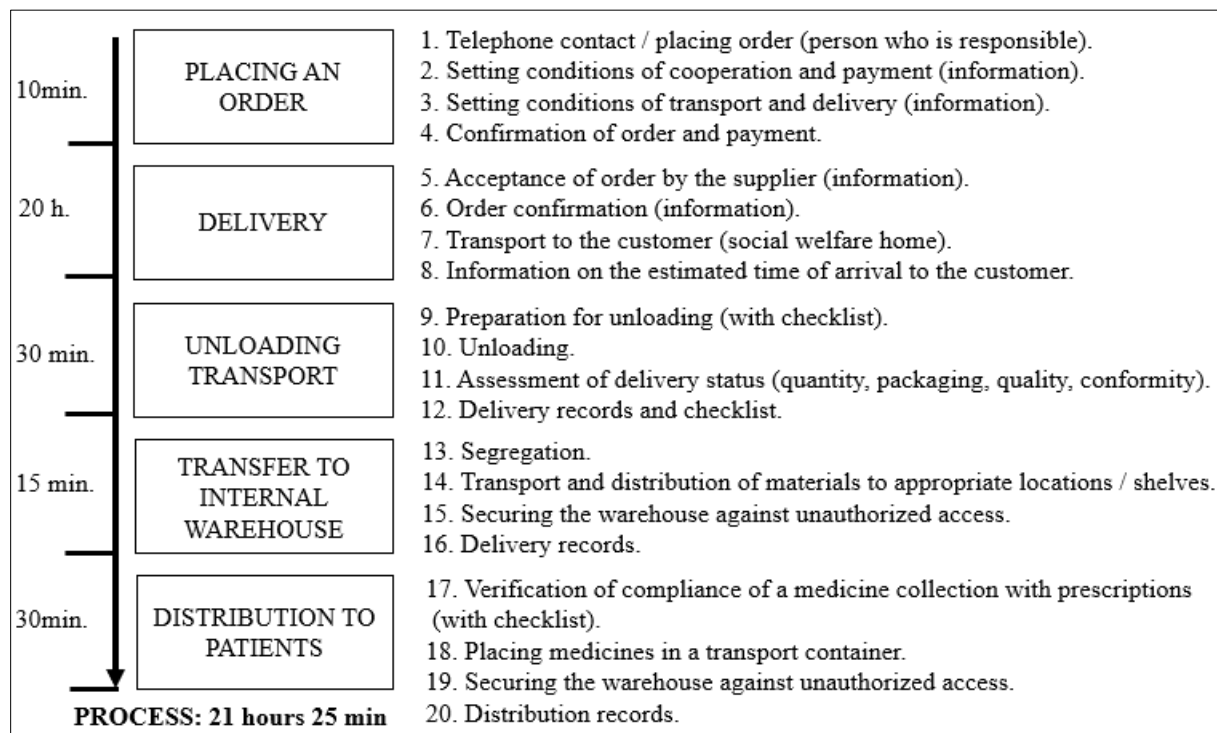
The examples presented in Tables 1 and 2 show that selected processes that occur in a production company and a non-governmental organisation are very similar. It should be noted that indicators commonly used in business sector, after small modification can be applied without difficulty to measure processes occurring in non-profit organisations. They do not have to be very complicated and, contrary to appearances, their development may be relatively simple. However, it is extremely important to systematize the activities and it should be striven to make the non-profit organisation aware of the existence of various and overlapping processes which, in the author's opinion, should be identified and mapped. Such a solution makes it much easier to develop an appropriate system of indicators and to perceive the organisation as a whole, controlling all its minor aspects and functions.

### **3. Example of the impact of the supply process on the activity of non-profit organisation**

Figure 1 illustrates an example of a practical application of such a solution. Presented simplified model of financial, material and information flows (Coyle, Bardi & Langley Jr. 2002: 51-52) is linked to the successive phases of the supply process (Ficoń 2008: 92) and is based on the example of a hypothetical non-profit organisation that provides 24-hour care for the elderly. Such a perspective does not, of course, apply only to the logistics area, but it allows each process to be seen as a sequence on consecutive actions (Kunasz 2011: 9-10) which consume resources of the organisation (e.g. time, human labour and money). It is important because a non-profit organisation, like a company, is characterised by a large number of different processes. An error or deviation in one of them has a significant impact on other aspects of the business and consequently on the effectiveness of achieving the operational and strategic objectives. It can be illustrated by a very simple example of the time taken to complete the subsequent stages of the supply process as shown in figure 1. Having the factors important for the process described and measured (in this case time of operations), one can consider how to optimise operations – e.g. by setting new, more favourable conditions for cooperation with a supplier or establishing cooperation with another supplier who will complete the order in a shorter time. The same applies to manipulation activities related to the entire supply process – with process visualization (Kornicki 2006) it is possible to consider what operation can be

shortened, what can be eliminated and where other potential sources of waste can be found – e.g. unused potential of employees (Bednarz 2018).

**Figure 1. Example of simplified mapping of the supply process (medicals) in a hypothetical non-profit organisation**



Source: own elaboration.

Time optimization is extremely important in the context of the operational efficiency of the entire organisation – a time buffer is needed when unforeseen situations related to the implementation of other processes occur, not necessarily concerning the logistics area. Saved time affects the work of employees – decisions made may be more thoughtful and the lack of unnecessary pressure and emotions affects the lesser number of mistakes made. On the other hand, one can imagine what the consequences of uncontrolled or improperly controlled processes would be and how it may affect the operational effectiveness of the entire organisation. Lack of time buffer usually causes pressure, often disrupting the decision – making process and negatively influencing the work of employees who are more likely to make critical mistakes. Errors, in turn, prolong the time of operations and in extreme cases even make them impossible to carry out. The loss of time in one process automatically affects another, which may significantly affect the quality of subsequent operations and actions. This is an erroneous cycle in which one wrong step leads to another and does not bring added value to the customer / beneficiary.

#### **4. Conclusions**

It should be noted that so far only the supply process, which is one of many aspects of non-profit organisations activity, has been taken into account. Assuming that errors also occur in other processes, one can only have an idea of the scale of waste of resources that takes place in non-profit organisations. The time factor, which incidentally is one of the most critical aspects of modern logistics, is therefore largely dependent on process awareness and understanding within the organisation.

The adoption of a logistic process management for the non-governmental sector is slowly becoming a necessity. Optimization of logistics processes taking into account time and cost aspects is undoubtedly a huge administrative challenge for the entire third sector, currently burdened with excessive bureaucracy and various procedures (Klon, Jawor 2013) that do not help to achieve the statutory objectives. However, the implementation of a logistical model of management and beneficiary service enables more effective control over expenses, time of operations and flow of materials through monitoring of the situation and realistic planning. The role of logistics as a tool for planning and organising operations at operational level may be necessary because of its interdisciplinary and integrative character (Korzeń 1998: 9).

Although cost models indicate that any implementation of prevention, quality assessment or error control will result in an increase in expenditure (Juran i Gryna 1998), however, the consequence of using such measures is to reduce the cost of errors, inconsistencies or misuse of resources. It should be noted, however, that such an approach does not necessarily require a large investment by a non-profit organisation. According to Table 2, the system of indicators for controlling the processes occurring in an association or foundation does not have to be complicated, although its application undoubtedly involves the use of the organisation's resources (e.g. time spent for designing required indicators and improvements). However, the greatest obstacle seems to be the human factor and the associated resistance of fear of change. This does not change the fact that organisations operating within the third sector in Poland, although they are admirable due to the implementation of social objectives, could with great probability improve their effectiveness thanks to the implementation of solutions that have been functioning in the economy for many decades. In this way, objectives relevant for society could be implemented more effectively and the needs of beneficiaries could be met on a larger scale.

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