Governance Models for Non-Profit Organizations: a literature review

Inês Castro Fernandes a, Paulo Sousa b,*, Anabela Tereso b, Filipe de Sá-Soares b

a Master in Information Systems, University of Minho, Campus de Azurém, 4800-058 Guimarães
b ALGORITMI Research Centre/LASI, University of Minho, 4710-057 Guimarães, Portugal

Abstract

Good corporate governance, which influences organizational performance, is the foundation of effective internal control. Adopting a governance paradigm, however, presents difficulties. By identifying and mapping processes and data, Enterprise Architecture (EA) may help with changes. Key Performance Indicators (KPI) provide important indicators for organizational activities. By employing a structured Balanced Scorecard (BSC), management may obtain a comprehensive overview of performance and make informed decisions to improve outcomes.

In this article, we will present relevant concepts related to Governance Models, obtained through a comprehensive literature review. The advantages of implementing a suitable governance model and the essential tools for its development are also discussed. We will close with a summary and open research questions.

Keywords: Balanced Scorecard (BSC); Enterprise Architecture (EA); Governance Model; Key Performance Indicators (KPI); Portuguese Project Management Observatory (PPMO).
1. Introduction

The Portuguese Project Management Association – APOGEP – created in 1994, is the Portuguese association connected with the International Project Management Association – IPMA. The Association’s activity covers the following areas: i) certification of project managers, project management consultants and trainers; ii) certification of organizations (under the IPMA Delta model); iii) registration of training entities according to the IPMA-APOGEP model; iv) organization and promotion of events in project management spectrum; v) support to the creation of a community of project managers; and vi) dissemination of the main news related to project management [1].

The Portuguese Project Management Observatory (PPMO) was created in 2020. It is a non-profit organization (NPO) created as a “satellite” of APOGEP’s “ecosystem”. In 2023, the APOGEP Board of Directors decided to strengthen the governance model of the PPMO which led to this research being carried out, with the aim of obtaining a governance model suitable to the needs of the PPMO. The aim of this study is therefore to understand the impact of governance on NPOs and to identify the appropriate tools for developing successful governance models.

Good corporate governance should form the bedrock of effective internal control as it directly contributes to enhancing organizational performance once the organization’s established structures have been evaluated [2]. Corporate governance within a business can be beneficial in various areas, including accountability, economic and strategic efficiency, and stakeholder management [3].

The implementation of a Governance Model (GM) poses certain difficulties because it is often applied in a highly organized company, requiring organizational adjustments [4]. However, when talking about NPOs, Kaplan [24] notes that achieving alignment and focus tends to be difficult. Due to reasons such as lack of resources or over-simplification of the organization, several obstacles may arise when developing or implementing a GM in NPOs.

The literature review methodology was employed in this research to assess, examine, and comprehend the practices, resources, prerequisites, and challenges involved in developing GM for NPOs.

The article is structured as follows. The overall empirical research process is described by outlining the research setting and the methodology in section 2. Section 3 presents a literature review that focuses on concepts that might assist an NPO, such as the PPMO, to articulate its decision layers in a design that promotes the effective integration between its governance system and its management structure. In Section 4, the results are discussed. The last section draws conclusions from the findings and suggests avenues for future research.

2. Research Methodology

To construct the literature review for this study, an extensive search was done to find governance-related ideas. Although recent literature was preferred for concepts that had undergone significant changes since their inception, studies were chosen based on their relevance to the topics addressed rather than their publication date. The search was done using academic search databases, as presented in Table 1, and based on the keywords: "Governance Definition"; “Corporate Governance Definition”; "Governance For Internal Control"; "Good Governance Benefits"; "Governance Model”; "Governance Model Benefits”; "Balanced Scorecard For Governance”; "Key Performance Indicators”; "Key Risk Indicators”; "Enterprise Architectures”; "Enterprise Architecture Definition”; "Information Architecture”; "Process Architecture".

<table>
<thead>
<tr>
<th>Subject</th>
<th>Development of Governance Models</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time-period</td>
<td>1987 to 2022</td>
</tr>
<tr>
<td>Search engines</td>
<td>Scopus; Web of Science; ALSeL; b-on; Google Scholar</td>
</tr>
<tr>
<td>Language</td>
<td>English</td>
</tr>
<tr>
<td>Search fields</td>
<td>Title, abstract and keywords</td>
</tr>
</tbody>
</table>

Initially, the search resulted in 3967 articles, out of which the repeated ones were removed, leaving 3929. The titles and abstracts of these articles were reviewed to eliminate the less relevant ones for the research, ultimately leaving only 48 which were then read in their entirety. When analyzed by title, the articles perceived irrelevant appeared to be
unrelated to the desired theme of Governance, addressing other forms of governance not suitable for non-profit organizations, or failing to provide an explaining approach to the other concepts required for the research. The studies served as the foundation for a work/concept matrix. A second round of searches was conducted utilizing additional keywords and expressions such as “Bad Corporate Governance”, “Zachman Enterprise Architecture” and “Enterprise Process Architecture”. After this step, the matrix showed that several pertinent issues had not been adequately covered and resulted in the gathering of a further three articles, resulting in a total of 51 articles.

The overall aim was to provide an updated and sound scientific basis for supporting the design, implementation and continuous improvement of the GM of the PPMO. Hence, the research question that guided this study was “Which tools can be used to develop Governance Models for NPOs?”

3. Literature Review

3.1. Governance and Governance Models

Authority, accountability, and responsibility are all balanced through governance, which regulates and directs an organization [10]. To provide leadership and ensure accountability, effective governance requires openness, predictability, and involvement [11].

Corporate Governance (CG) refers to the steering, oversight, and responsibility of a company [12]. It encompasses directing and controlling tasks to guarantee that investors realize their expected returns, the legitimate interests of stakeholders are considered, and ethical conduct and accountability are promoted [13], [14], [51].

Good governance fosters effective resource utilization and risk optimization, clarifies rights and responsibilities, ensures benefits assessment and realization, and establishes long-term strategic goals, all of which positively impact an organization's performance [2], [3], [51]. Also, effective governance gives management a framework for accountability that can enhance organizational action [11].

Governance models are currently a prominent and widely acknowledged topic within the scientific community. After a search in the Scopus database, with “Governance Model” in the Title, Abstract or Keywords, the term appeared for the first time in 1980 (two documents) and slowly increased until 2000 (24 documents). From 2000 until 2022 the increase was exponential, with 407 documents found in 2022. Nowadays, sustainability is an influential expression that started to be included in organizations' governance models. Engert, Rauter & Baumgartner [15, p. 2834] propose to integrate sustainability in the business and define corporate sustainability as “considering an organization’s needs, while protecting, sustaining and enhancing the human and natural resources that will be needed in the future”.

3.2. Enterprise Architecture, Information Architecture and Process Architecture

The organization's activities, structure, or procedures may change as a result of the implementation of a new GM [4]. Therefore, it is crucial to address the Enterprise Architecture (EA), which also strives to lead successful change, to facilitate the adoption of the GM in NPOs [5]. EA is a representation that businesses may use to efficiently manage change and match their business goals with their business processes. EA allows managers to view the organization as a whole by gathering and storing related data in a single repository [16]. It directs the creation of an organization's operational platform, which consists of the business procedures, people, equipment and Information Technology (IT) that support organizational functions [17].

Planning, designing, and managing business information is made easier by the Information Architecture (IA) representation for managers and business data administrators [6]. IA, as defended by Jafari et al. [18], can be created using either top-down or bottom-up approaches. Finally, when creating an IA, the perspectives of the owner, designer, and builder should be considered [19].

There are two ways to look at Process Architecture (PA): as a collection of processes or as a single process [20], [21]. Researchers use the terms Business Process Architecture or Enterprise Process Architecture to distinguish these two viewpoints [21], [22].
3.3. Balanced Scorecard and Key Performance Indicators

The Balanced Scorecard (BSC), as pointed out by Kaplan and Norton [23], is a tool used to assess and enhance the performance of businesses. Four perspectives make up the BSC: i) Financial - relates to economic performance and viability; ii) Costumer perspective - helps to identify the current and future market segments and customers and to assess the performance regarding aspects as time, quality, service, and cost of offerings; iii) Internal business process perspective - refers to the efficiency and quality in the processes; and, iv) Innovation and learning perspective - concerns innovation and improvement possibilities regarding infrastructure, technology, culture, and human capital training [24]. The BSC, as defended by Kaplan and Norton [23], eliminates information overload and concentrates executives on a small number of crucial metrics, by reducing the number of measures employed. The necessity to establish a BSC in NPOs stems from the goal of balancing the organization's assessments beyond financial success [25]. Some years later, Figge et al. [26] introduced another perspective to be employed in NPOs, the non-market perspective [26]. The authors also recommend the identification of sustainable hotspots within the business model through the utilization of a materiality matrix. This tool helps to prioritize the relevant aspects that are important for both the organization and its stakeholders.

Scholars have previously highlighted the parallels between the business model and the balanced scorecard, stressing their “complementary roles in ensuring the achievement of strategic aims through day-to-day business operations” [27, pp. 189–190]. Lüdeke-Freund et al. [27] aligned the two concepts to develop the SUST-BMA framework, specifically designed for constructing a Sustainable Business Model (SBM). This framework evaluates the overall sustainability performance, encompassing economic, social, and environmental benefits (see Fig. 1).

![Fig. 1. Sustainability Business Model framework (adapted from Lüdeke-Freund et al. [27])](image)

The Business Model (BM) represents the way an organization creates value through activities and resources (the HOW). On the other hand, the Sustainability BSC synthesizes the organization’s goals and assesses their achievement (the WHAT). At the junction, one question comes up: are the performed activities of the BM in line with the organization’s strategic goals?

KPIs are crucial measurements for determining how successfully a business achieves its strategic goals [8]. KPIs must be simple to comprehend, align with the goals of all stakeholders, and come from inside the business to be effective [8]. Effective KPIs have seven qualities, according to Janickova and Zizlavsky [28], they are non-financial and performance-related, continually monitored, easy to grasp, team-based, have a major influence on the company, and promote the right actions.

4. Results and Discussion

The literature review culminates in the presentation of a work/concept matrix, presented in Table 2. This matrix serves to map the key concepts identified in the literature, which are crucial to be incorporated during the design of the PPMO governance model.

On one hand, governance should function as a set of "rules of the game" to mitigate potential negative effects arising from inadequate management procedures, safeguarding the interests of all parties involved, and achieving a harmonious balance between stakeholders [3], [14].

On the other hand, setbacks may arise due to challenges, such as conflicts of interest and lack of trust. As highlighted by Chhotray and Stoker [4], this is precisely why organizations require a hierarchy. It serves the purpose of establishing and maintaining rules, while simultaneously promoting individuality and collaboration [4]. In addition to this, governance strategies should foster cooperation among decision-makers and facilitate effective decision-
making processes grounded in moral principles and real-time information [29]. Given the complexity involved, effective governance requires a specific array of tools [4].

Table 2. Works and concepts - Legend: [A] Governance; [B] GM; [C] Architectures (EA, IA, PA); [D] KPI; [E] PDCA; [F] BSC

<table>
<thead>
<tr>
<th>Works/Concepts</th>
<th>[A]</th>
<th>[B]</th>
<th>[C]</th>
<th>[D]</th>
<th>[E]</th>
<th>[F]</th>
</tr>
</thead>
<tbody>
<tr>
<td>[2], [3], [10]–[14], [29]–[32]</td>
<td>11</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>[4]</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>[5]</td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>[14]</td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>[32]</td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>[33]–[36]</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>[1], [37]–[39]</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>[6], [16]–[22], [40]–[45]</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>14</td>
</tr>
<tr>
<td>[7], [8], [46]</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>[28]</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>[47], [48]</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>[9], [23]–[25], [49], [50], [51]</td>
<td></td>
<td>1</td>
<td>1</td>
<td>15</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16</strong></td>
<td><strong>6</strong></td>
<td><strong>15</strong></td>
<td><strong>4</strong></td>
<td><strong>2</strong></td>
<td><strong>7</strong></td>
</tr>
</tbody>
</table>

In GM, power dynamics, decision-making processes, and norms inside an organization must all be outlined. A good GM makes management and responsibilities transparent and clear, enhances process coordination, and boosts governance effectiveness [4], [34].

Gill [11] proposes several concepts and methods for establishing a successful GM. These include elements, such as strong leadership, transparent delineation of roles and relationships, consideration of stakeholder expectations, fostering teamwork, conducting regular reviews, and cultivating a high level of trust and consensus-building. The GM should encompass the structure and functions of the board, a code of conduct, managerial positions, and long-term goals, all of which should be specified and articulated.

The benefits of EA in effectively managing complex business and technological environments are evident. EA excels in handling intricate systems by breaking them down into their constituent parts and connections, enabling future design modifications [45]. As a fundamental tool for communication and decision-making, EA offers a clear and thorough understanding of an organization’s structure and interrelationships [5], [41].

The Open Group [44] presents the Architecture Development Method (ADM) as a comprehensive approach. The ADM comprises several key components, including the Architecture Vision, Business Architecture, Information Systems Architecture, Technology Architecture, Opportunities and Solutions, Migration Planning, Governance Implementation, and Change Management Architecture. Alternatively, Zachman [45] and Jafari et al. [18] offer a framework for EA development that includes views, abstractions, and guidelines [45] [18].

The utilization of PA is essential for both EA and the management of numerous processes [42]. PA serves the purpose of effectively managing processes as strategic assets for operational success and efficiency within businesses, particularly when integrated as part of EA [42].

The importance of KPIs in corporate performance can be summarized by their focus on critical performance attributes and their ability to help organizations establish measurable objectives and evaluate their achievement [7]. KPIs are crucial for assessing how the extent to which a company is effectively progressing towards its strategic goals [8], [28], [46].

Once established, a GM should be monitored and reviewed. The PDCA (Plan-Do-Check-Act) cycle might prove useful to ensure continuous improvement of governance systems.

The BSC provides a full picture of how the business aligns with the strategy. It establishes connections between the goals of the four perspectives, whereby improvements in process performance result in successful outcomes for customers and shareholders [49].

Within NPOs, training programs play a crucial role in enhancing the skills of employees and volunteers, ultimately leading to improved service delivery and increased satisfaction among stakeholders [50].

Fig. 2 provides an overview of the proposed design for the PPMO Governance Model in conjunction with the PPMO Management Structure, which consists of two levels: the governance level and the management level,
encompassing four layers. These layers are as follows: i) Layer 1 – Governance System; ii) Layer 2 – Management System; iii) Layer 3 – Portfolio System and Programme System; iv) Layer 4 – Project Management System. Each layer depicts the roles or functions responsible for operating the corresponding system.

5. Conclusions

The success of a governance model depends on careful consideration given to its design and implementation. To mitigate the potential negative impacts of inadequate governance and protect the interests of all stakeholders, it is recommended that governance functions as a set of "rules of the game" [14]. Organizations should have a clear understanding of different governance strategies and relevant considerations to establish an effective governance system [30]. Moreover, specific tools and tactics that foster cooperation among decision-makers, and enable efficient decision-making processes based on moral principles and real-time information, are essential for effective governance [4], [29]. A successful governance model enhances process coordination, clarifies management and responsibility, and increases transparency [4], [34].

Fig. 2. Overview of the PPMO Governance Model and Management Structure

Ultimately, the design and implementation of an effective governance model, such as the one proposed for the PPMO, can yield significant benefits for organizations, including enhanced decision-making processes, transparency and accountability, and collaboration and mutual understanding between stakeholders.

It is important to acknowledge the limitations of the current study. Firstly, the observation of the concept matrix highlighted a lack of research on the principles and procedures for creating a governance model, indicating the need for further study in this area. Although a variety of relevant tools have been identified to that end, we need to grasp an efficient way to combine them, make a trial version, implement the trial version on the PPMO, make the necessary adaptations, and collect the lessons learned in order to form a basis for the development of governance systems in NPOs.

Future work will focus on: i) designing the GM; ii) implementing the GM; iii) piloting the governance system; and iv) improving the governance system and model.

Acknowledgements

This work has been supported by FCT – Fundação para a Ciência e Tecnologia within the R&D Units Project Scope: UIDB/00319/2020.
References


