

A MODEL FOR THE DEVELOPMENT OF STRUCTURE IN VOLUNTARY NOT-FOR-PROFITS

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Abstract

This paper is an account of structural changes that came about in the process of an action research project undertaken in a not-for-profit Members serving community disability service organisation. With the growth of externally funded services there was an increased requirement for count ability in the administration of those funds and the development of structures to meet accountabilities external to the organisation in addition to the Members. The interacting issues that arose between governance and management as a result of manger endeavours to discharge their responsibilities to their Board and its strategic directions were significant.

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INTRODUCTION

An action research project involving strategy implementation was on to take a not for profit community disability service organisation between me and 2000 and early 2003. This paper is an account all the significant structural changes that came about and how were achieved in the process of that research.

LITERATURE

There is the general lack of research focus on the not-for-profit sector and literature on strategy in the non-profit sector is largely focused on strategy development (Inglis & Minahan, 2001; Maranville, 1999; Bryson, 1999; Steiner, Gross, Ruffolo & Murray, 1994) or strategic performance measurement (Kaplan, 2001). How strategy is implemented to achieve the adjustments (Haveman, 1992) that lead to reformation of strategy (Kaplan & Norton, 1996) needed for organisational survival is also lacking in the literature.

According to Lyons, (2001) there are a number of challenges faced by not-for-profit organisations in adopting organisations and management structures and systems from the for-profit sector. One challenge is that they should support as well as respect the core values of the organisation. Others include the organisational capacity to implement strategy and the encouragement of Members and volunteers to participate in the change process; the complexity of revenue generation and the conflict that is created between accountability to Members and those who fund the services, staff and the users of the services.

BACKGROUND TO THE ORGANISATION AND ITS EMERGENT STRUCTURES

As with many other not-for-profit organisations, the organisation that provided the context for the study began as a grass roots, self-help and mutual support group with a predominant culture of volunteerism. Traditionally organisational structures were informal and based on self-organisation in the provision of support according to the main purpose for its existence. As the group matured it sought funds from sources other than membership dues and local fundraising endeavors in order to provide services to its clients. The history of the organisation and its emergent structures provided the background context for the research and is described below and depicted in Figure 1.

The organisation began in 1977 with an informal meeting of families who had a family member with a mental illness. Following a public meeting in early 1978, the group formalised and held its first annual meeting in July. The establishment of support groups followed. Their major purpose was to provide Members with information about mental illness and to provide support to each other. Meetings were informal and held in the homes of members. Members subsequently became involved in advocating for improved services for the 'sufferers'.

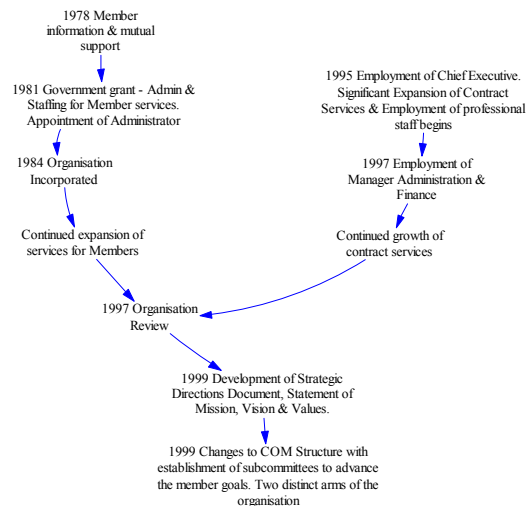
In 1981, the group received a State Government grant to enable them to provide administration and staffing for member services. Meetings between the coordinator of these services and the Administrator were *informal and ad hoc corridor conversations*¹. The organisation was incorporated in 1983 and continued to expand its capital and initiate services to members.

The appointment of a professional Chief Executive in 1995 coincided with a change in Government policy that allowed for the contracting of community services for people with mental disorder. This represented a change in activity that resulted in a gradual but inevitable shift in the goals of the organisation. There were similar but gradual changes in the organisation as well. Each of the community programs was set up as an independently funded service with its own staff. As the number of these contract services grew, there was a requirement from external funding organisations to account for the expenditure of funds and an Administration and Finance Manager was appointed in 1997.

¹ Reflective interview with #07 05/03/03

Obtaining additional funds led to the segmentation and an increased fragmentation of the organisation. It was inevitable that the employment of clinical professional staff to provide contract services would lead to a conflict in member and staff goals. External consultants were employed by the then Committee of Management (COM) to undertake an organisation review in 1997/1998, with the key objective of recommending on how the organisation could best organise itself in the new environment. This review raised a number of Member concerns and in particular that there were now two cultures within the organisation relating to the split in activities: one was the family based self help aspect of the organisation and the other the government funded employee delivered services aspect (Fairhaven Associates Pty Ltd, 1998).

Figure 1: Significant Changes 1978-1999

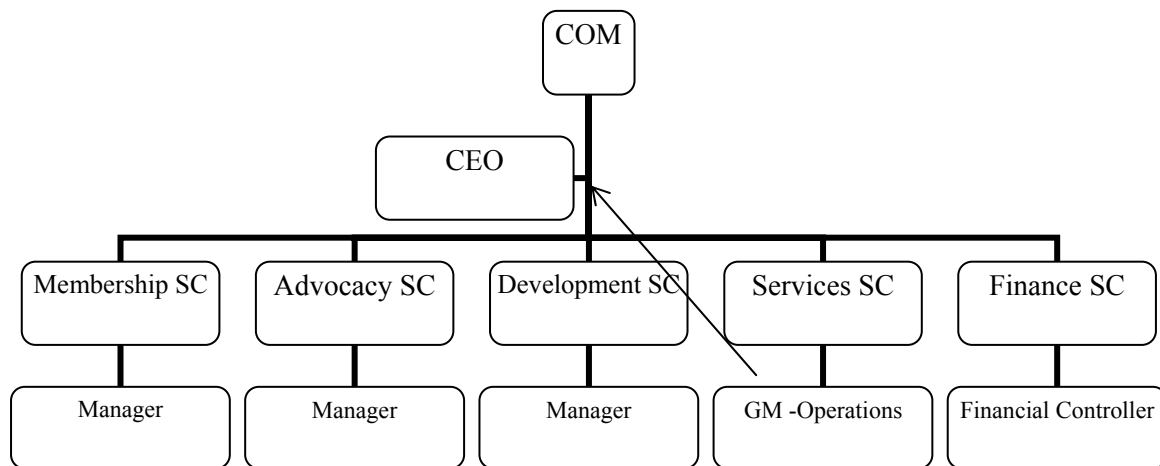


Following the organisation review a Strategic Directions Plan was prepared by the Committee of Management and reflected a revised vision, mission and values of the organisation. The strategy was ideological and deliberate based on the vision and the culture of the organisation (Mintzberg and Waters, 1985). It pursued an ideology of support for people with mental illness and their families and advocacy directed towards reducing in the stigma associated with mental illness.

Five strategic goals related to membership; policy and advocacy; services; and finance provided a strategic direction for the organisation. Five subcommittees of the Committee of Management (COM) were established to interpret and manage progress toward achieving the goals. The structure allowed for subcommittees and their chairs to direct the operational management of the organisation and to exercise authority over managers of the portfolios according to the criteria of the committee members to judge performance. Membership assumptions were also reflected in the structure in that *the ongoing direction and overall leadership of the organisation will continue to come from the unpaid voluntary work of the elected body ... and that the task of the employed staff is to assist the COM with policy development and to implement the directions and the policies of the COM* (Fairhaven Associates Pty Ltd, 1998).

The initial strategic structure implemented (see Figure 2) is not unusual in not-for-profit community based organisations. Managers were appointed to aligned strategic programs and reported directly to aligned subcommittees. The Chief Executive Officer reported directly to the Committee of Management and the President who provided weekly supervision. The Chief Executive Officer had day-to-day responsibilities of the organisation.

Figure 2: Initial Strategic Structure of the Organisation

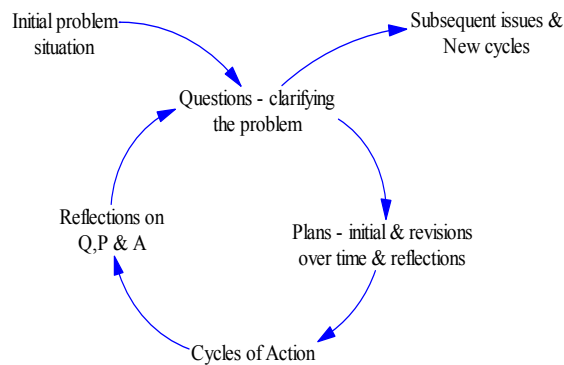


METHODOLOGY

Action research is a collaborative process of critical inquiry between the researcher and the people in the situation (Flood, 1999), in which ideas and practice are explored concurrently (Marshall and Reason, 1997) with the aim to contribute to the practical concerns of the people and the goals of action science (Rapoport, 1970) that are contained by a jointly acceptable ethical framework. Action research is an action inquiry strategy that includes those methodologies described as action science, action learning and participatory action research. All are closely linked although derived from different theoretical domains and are often used interchangeably (Ellis and Keily, 2000). The approaches are built on *ways of linking theory to practice so that knowledge can be action based and derived from practice in the real world as opposed to being generated in scientific laboratories or through abstract survey methods* (Morgan and Kocklea, 1997). No one method dominated this study but the method used was particularly influenced by the work of Flood (1990, 1995, 1999, 2001; Flood and Carson, 1993; Flood and Jackson, 1991) and the idea of methodological complementarity to solve management problems in the real world situation.

The dynamic of collaboration between the researcher and the people, in this case the senior managers, in the situation was central to this research. The dynamic involved a process of critical inquiry, a focus on the social practice of management and a deliberate process of reflective learning (Argyris, Putman and McLain Smith, 1985; Checkland, 1991). The process was facilitated by a structure depicted in Figure 3. It included critical questioning to diagnose the issue of concern, to propose a plan for action, for taking action and to evaluate the results of the action. This process led to the identification of further issues and cycles of action. Reflection was a core activity in the research process and occurred at each stage of each cycle and following a series of cycles.

Figure 3: The Structure for the Cycles of Action Research



Action research sessions were initially held every two weeks. The researcher was an outsider to the organisation and created the conditions for the research process. This included facilitating process of the action research sessions and collaboration on practical action and research interventions. The manager participants, as co-inquirers were responsible for implementing action in the situation. Both the researcher and manager participants reflected individually and collectively on the process of the research and the practical outcomes.

Initially the research participants were to include the Chief Executive Officer and the General Manager. Questions relating to boundary issues about inclusion, exclusion and the degree of involvement of other levels of management resulted in an expansion of the participant group early in the research and at different stages of the research. Accounting for additions, staff turnover and casual replacement, a total of 22 managers made a contribution to the research. The majority of the participant managers had a background in the Arts, Social Sciences and Health Sciences. Only three of the participants held qualifications in Management or Economics.

STRATEGIC STRUCTURAL CHANGES

The Formation of an Action Research and Operational Management Group

The first structural change originated in parallel with the commencement of action research. The research participants was also formalised as a group of senior managers to meet regularly to address operational management issues that arose from the action research. This was the first occasion in which management staff formally and regularly came together to discuss operational management issues.

Permission to conduct both the action research and operational meetings was required from the Committee of Management who also proposed the composition of the group. This was an early indication to the researcher of the role of the Committee of Management in operation management of the organisation.

The composition of the research and management group included the Chief Executive Officer, those managers responsible for Membership functions of the organisation, the General Manager and the Financial Controller. Not all contract service program managers that would be impacted by research operational decisions were initially involved in the deliberation or resolution of identified issues. As result of challenging the composition of the group, the make-up of the group changed. The group became more inclusive of all functions and services of the organisation. While this change might seem obvious - it was quite deep seated in terms of changed thinking as it began to create a structure of inclusiveness in the management activities of the organisation.

Issues of Strategy and Structure

Initial action research sessions were directed towards managers developing an agreed understanding of the strategic direction of the organisation in the context of the five strategic programs and the organisation as a

whole. The researcher was clear that the strategic goals had implications across all programs; however managers were responding only in the context of their individual portfolios and did not demonstrate a whole of organisation perspective. In addition the organisation structure appeared to influence the relationships between contract services staff, member service staff and between staff and the now Board of Management. The relationships were complex, segmented and poorly understood by managers and Board members alike.

In the process of the action research, manager participants identified issues around operational structure but were unable to take corrective action without first referring to the subcommittees to whom they were accountable. This situation resulted in each manager and subcommittee addressing problems and issues from the narrow framework of their portfolios. The Chief Executive would also raise the issues identified in the action research sessions with the President at her weekly meetings. The decisions that resulted from these different forums would be reported back to all manager participants at the action research sessions for further consideration and recommendations for action. Subsequent issues would be taken back to relevant bodies. The cycles resulted in delayed action and made the management group appear ineffective and not able to implement decisions.

Reflection on the inability to take action led to a number of insights into the relationship between managers, managers and subcommittee chairs and between managers and the Chief Executive and the Board of Management. These insights included:

1. The manager positions reported directly to designate subcommittees of the Board that were assigned responsibility for the strategic programs and therefore tended to work in silos.
2. The organisation structures developed impacted on communications and relationships between managers.
3. Managers appointed to manage the Membership functions of the strategic goals were recently appointed and had not developed an appreciation of the organisation as a whole, its broader vision, mission and values.
4. Managers of Membership functions were not familiar with the range or extent of the contract services provided organisation or how the functions were interrelated.
5. The strategies and targets developed by the Board to achieve the strategic goals were not clearly developed.

Hill (2001) suggests that organisation structure and control systems are instrumental in the effective implementation of strategy. There were considerable barriers within this organisation. First the Board of Management saw their role as being operational in that it held administrative decision making power, which was executed by the President through the Chief Executive. Second the subcommittee structure allowed for multiple interpretations of the Strategic Directions in both Membership services and contract services. The structures shaped the behaviour of the managers and their meetings in that they *were for discussion of policy directions and communication - not decision making*².

In response to their own questions of *How do we go the next step? How do we impact the strategic directions across the organisation?*³ They concluded that to move forward there was a need to resolve the broader issue of their inability to set operational policy for the organisation. It was also agreed that they needed agreement about issues and strategies that would enable them to communicate the strategic direction consistently to local work areas.

Concern was also expressed that *we are dealing with strategy and the future, but we have some serious resource issues at the moment that need to be addressed, otherwise people's ability to forward plan is severely limited*⁴. This issue was particularly relevant to the membership functions where the financial resources were not available to achieve the expected targets of the strategic goals. There were also identified issues relating to the overlap of functions and decision-making between the functions of Membership with Advocacy and Policy that impacted on utilisation of available resources.

² AR Session 19/06/00 transcribed notes

³ AR Session 26/06/00 transcribed notes

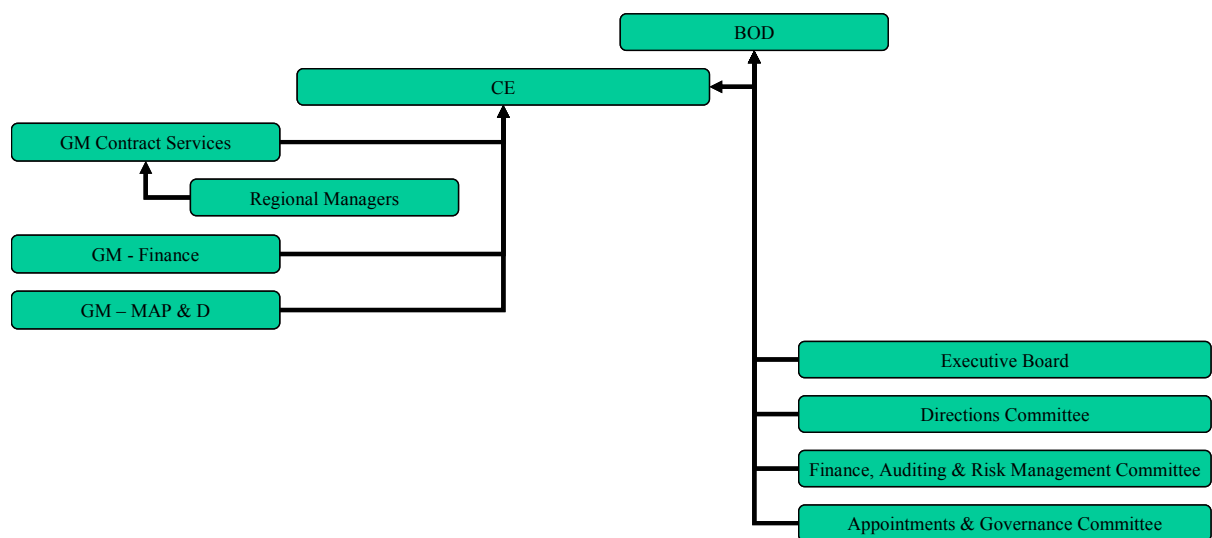
⁴ AR Session 26/06/00 transcribed participant manager reflections

Considerable overlap existed between the activities and resource allocation in all membership strategic functions. Following an examination of the issue in an action research session the affected managers prepared discussion papers and took their concerns to their subcommittees. A recommendation to combine functions at the subcommittee level and operational level was subsequently addressed by the Board. The outcome was a significant restructure and recognition of the link between strategy and structure.

The adequacy of the organisation structure to meet the needs of both membership services and contract services was regularly revisited over the following 14 months of the action research. The linkage between strategy and structure became clear to all participant managers. Feedback by managers led to the Board initiating a collaborative strategic workshop and the development of a Forward Plan. This ultimately resulted in another major restructure of subcommittees and delegations to the Chief Executive to manage the operations of the organisation inclusive of Membership and contract service activities. This represented a significant change from Membership operations having direct access to the Board. The revised structure is depicted in Figure 4.

The Board assumed governance functions and the subcommittees were reconstituted to assist the Board in its governance role. The Chief Executive was delegated full operational responsibility. This change was a significant move by the Board and reflected growing confidence in their own governance role and their ability to delegate operational management. This confidence saw the development of a structure that aligned more closely with the emergent strategy.

Figure 4: Organisation Structure Reflecting Operational and Governance Functions



DISCUSSION

The structures initially put in place by the then Committee of Management were deliberately focused on Membership services to protect the self interest of Members. The power of the Committee of Management was located in the President and subcommittee chairpersons. This formed a dominant coalition that worked to control the behaviour of the organisation stakeholders, particularly the managers appointed to implement the Strategic Directions. The initial structure however did not promote cooperation between the subcommittees or managers. As a consequence the activities of the organisation as a whole were often duplicated fragmented.

Implementation of strategy requires management to follow a process of planning action, implementing plans and evaluating results, usually in the form of numerical data or in the case of voluntary organisations, membership participation (Schlegel, 1999). Initially the action research and the operational meetings were

met with a sense of mistrust and suspicion by the managers and Committee of Management. The process of action research introduced a problem solving approach to strategy implementation with a strong emphasis on critical questioning and reflection.

As the action research progresses a unified management group developed. Issues were raised and debated in a climate of trust as a climate was created where each manager had an opportunity to present their view, to listen to the perspective of other managers and to participate in debate and subsequent decision-making. An improved understanding of the strengths and weaknesses of the Strategic Directions enabled the participant managers to articulate their views and recommendations to the Committee of Management with confidence.

An outcome of changes to strategy and structure was that managers assumed responsibility for their portfolios in the context of an integrated organisation. The organisation also became accepting of pluralist but focused goals to meet the requirements of both membership and contract services. The volunteers and professional staff began to work together in the provision of services.

CONCLUSION

The action research process influenced the interpretation and the implementation of the initial Strategic Directions so that the structure was not realised in its original form. The process and the critical consideration of aspects of the strategic directions resulted in feedback to the Board which resulted in adjustments and subsequent major changes of organisation structures. These changes in turn influenced changes to resource allocation and separation in governance and management functions with delegation of operational management of the whole organisation to the Executive Director. The literature recognises the link between strategy and structure but it is evident from this action research that the links take time to become established.

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