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THE MANAGEMENT OF CHANGE IN  
NOT-FOR-PROFIT AID ORGANISATIONS

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*Working Paper 64/98*  
*November 1998*

ABSTRACT

This paper represents a small contribution to the collective knowledge that already surrounds the nature of change management by focusing on an often neglected type of organisation, the not-for-profit aid organisation. Specifically, the study explores whether aid organisations are managing change by utilising a so called 'soft' management technique - that is, implementing change in manner that is incremental and participative. This approach is quite strongly advocated by not-for-profit theory because, the argument suggests, it is more compatible with the organisation's non-economic, social orientation. But this paper describes an aid organisation, which does not in fact display a tendency to manage the change process participatively, regardless of the degree of change undertaken. This is explored further and it is concluded that participative techniques should be carefully utilised in a change process in such organisations and a number of recommendations are offered to this end.

## THE MANAGEMENT OF CHANGE IN NOT-FOR-PROFIT AID ORGANISATIONS

The nature of change has been postulated by Greek philosophers, classical philosophers, and most recently (perhaps most prolifically) management theorists. Despite centuries of collective wisdom, current research indicates that at best, only half of organisational change efforts succeed, and this figure can drop to as low as 30 percent depending on the nature of the change attempted (Burnes 1996:172; Maurer 1996:56). This research paints a grim picture for those operating in business. The imperative for organisations to stay relevant and effective in the present environment remains unchanged (Dunphy & Stace 1994:2-3). However, the odds of an organisation successfully making such a transition appear to be quite bleak.

This paper represents a small contribution to the collective knowledge that already surrounds the nature of change management. It will focus on an often neglected sector of society, the not-for-profit (NFP) sector, taking particular interest in the situation of an international aid and development organisation: World Vision Australia. In terms of the management of change, the following two aspects are emphasised:

1. The *scale of change* undertaken, which measures the impact the change has on the organisation.
2. The *style of management* used during the change process, which focuses on the degree of employee participation.

A deductive approach was used to carry out this investigation as the intention was to examine whether a particular argument carried amongst theorists was in fact supported in practice. This argument contends that NFPs should only utilise certain management techniques when engaging in change activity, because NFPs represent a type of organisation that is distinctively non-economic and social in its orientation. This social orientation, the argument continues, has a variety of implications such that NFPs should undertake change in small incremental stages, managed in a participative manner (c.f. Kadushin 1976:295; Young 1985:14).

As the means of analysis, this study will utilise a generic model of change suggested by the Australian authors, Dunphy & Stace (1990, 1994). This model used a framework to classify the change processes undertaken by various organisations and thereby make comparisons. The model was chosen because it incorporates the aspects of change that is the focus of this paper (scale of change/style of change management), allowing for their categorisation and comparison amongst various organisations.

### BACKGROUND: THE NOT-FOR-PROFIT SECTOR AND AID ORGANISATIONS

#### Not For Profit Sector

Overseas aid organisations are part of a larger sector referred to as the not-for-profit (NFP) sector. The NFP sector is comprised of a myriad of organisations, some community based, some sponsored by churches or philanthropic bodies, which deliver to Australia and other overseas countries a wide range of human services. It is a vast and complicated sector, which has many distinctive characteristics.

Presently, there are around 11,000 NFP organisations operating in Australia who receive government funding and an unknown number of like organisations who operate without government support (Industry Commission Inquiry Into Charitable Organisations 1995:1). The sector employs around 100,000 paid staff, while an additional 95 million hours of unpaid work is contributed by people volunteering their time and talents (AGB McNair 1994).

The sector's size, in terms of expenditure is also significant. The combined annual expenditure of NFPs in 1993-94 was \$4.8 billion dollars. It's income was derived from a variety of sources, including government funding (\$2.7 billion), commercial activity (\$1 billion), and fund raising (\$580 million) (Industry Commission 1995: XVII).

The predominant services provided by the sector include aged care, disability care, crisis accommodation, emergency relief, employment and training services, advocacy, and overseas aid. These activities indicate the ideological perspective that forms the foundation of NFP organisations. NFPs are essentially stewards. Their place in society is to be the medium through which individuals, families and whole communities can gain resources (contributed by the public and private sectors) toward their betterment (McAllister 1981:50).

### **Overseas Aid Sub-Sector**

Overseas aid organisations are an influential part of greater NFP sector and are commonly referred to as Non-Government Development Organisations (NGDOs). This group of organisations is principally concerned with providing emergency relief and developmental assistance to Australia and overseas countries, as well as advocating human rights and environmental issues (AusAID 1995:6). There are around 120 NGDOs operating in Australia, appropriating a combined income of \$285 million (1993-94) (Industry Commission 1995: 144). Worldwide, NGDOs are described as a 'significant force of international development' (AusAID 1995:5) who are contributing an estimated US \$9 billion to developing countries (Smillie & Helmich 1993:14)

In terms of size and influence, NGDOs differ greatly. Some NGDOs are quite large, commanding multi-million dollar budgets and employing hundreds of employees, while others are quite small, operating with less than five staff. In relation to the wider sector, four NGDOs are rated among the 50 largest NFPs in Australia (Industry Commission 1995: C6). World Vision Australia and CARE Australia, for example, are the two largest Australian NGDOs achieving incomes in 1993-94 of \$89 million and \$44 million respectively (Industry Commission 1995: 144).

These larger organisations are mainly involved in long-term development projects, such as irrigation, clean water supplies, farming and community education. Because of their sheer size, networks and infrastructure, they are also able to effectively lobby international corporations, overseas governments and assist in emergency relief where disasters occur. Smaller scale organisations generally specialise in one area of developmental assistance or advocacy. These organisations tend to focus on particular countries (ie, Sudan Interior Mission), regions (ie, Asian Aid Organisation) or specific issues (ie, Leprosy Mission Australia).

Funding is also a significant feature of the subsector. NGDO's derive their income from a number of sources including Commonwealth Government funding (\$71 million), public donations (\$173 million), and other sources including international bodies and commercial operations (totalling \$41 million). By international standards, the public contribution of \$173 million dollars to development work, rates Australia as one of the more generous countries. On the other hand, the Australian Government, with a 1993-94 budget of \$1.4 billion, is only a medium sized participant in the overseas aid arena, though its regional significance is quite important to surrounding countries like Papua New Guinea (Industry Commission 1995: 151; AusAID 1995:5)<sup>1</sup>.

### **DRIVERS OF CHANGE**

*In the last five-ten years, the sector has been subjected to many pressures on a rapidly increasing basis which literally prejudice much of its future existence. Wesley Central Mission, Melbourne (Industry Commission 1995: 35)*

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<sup>1</sup> Government funding is carried out via the Australian Agency for International Development (AusAID). It comes under the auspice of the Department of Foreign Affairs and forms part of the portfolio of the Minister of Development Cooperation and Pacific Island Affairs. Prior to 29th March 1995 the agency was called the Australian International Development Assistance Bureau (AIDAB).

## **Ideology**

Aid and development work has been the focus of NGOs for more than half a century, however there is little evidence to suggest that there has been an overall improvement in the standard of living, incidence of poverty or income distribution (ACOSS 1997). This lack of success has driven NGOs to explore different approaches to aid and development work, resulting in the emergence of alternative ideologies.

## **Funding**

Public donations and government funding is notoriously parochial (ACOSS 1995:9). Aid policies tend to change with each new government installed and interim alterations occur with every new budget. Public giving tends to rise and fall around significant international crises and is also influenced by the degree of media involvement

This erratic nature of funding places NGOs in a difficult position. They are not in a position to simply scale down projects as funding declines because development is a drawn out process, thus their commitment is long-term. As a consequence, many NGOs have developed professional marketing groups, aimed at 'better mobilising the donor dollar' (Industry Commission 1995: 148).

## **Accountability**

The increased requirements of accountability are also driving change in the aid subsector. This can be seen in two principal areas: the ethical accountability required by the public in lieu of their donations; and the legal obligations to the government in lieu of their funding arrangements.

## **Professionalism**

Finally, much of the above mentioned activity that is driving change is also requiring increasing degrees of professionalism. High level advocacy, for example, requires a well-organised effort, carried out by a reputable organisation in a competent manner. Professional accountants are required to manage million dollar budgets that must conform to the requirements of government accountability. Other employees are finding that they are advantaged if they work towards an MBA or else come to the organisations with a number of years experience gained from managing in the private sector.

## **THE MANAGEMENT OF CHANGE – THE DUNPHY & STACE (1990,1994) CHANGE MATRIX**

In terms of literature that relates specifically to the management of change, Dunphy & Stace (1990:65) suggest that much of the debate can be brought back to two principle questions:

1. *Scale*: how radically must the organisation change to survive and seize the opportunities that will provide it with a critical competitive advantage?
2. *Style*: what kind of leadership is needed to manage the transition?

The scale of change refers to the degree of change undertaken. It is dependent on a variety of factors including how far reaching the change is, how quickly the change occurs and how different the new organisation is intended to be from the old. Style issues principally focus on matters of employee involvement - the change process can therefore be handled in manner that is highly collaborative, or quite directive. The authors propose that despite different terminology and phrasing, these two terms synthesise much of the theory surrounding change management (Dunphy & Stace 1994:96).

As a result of seven years research in to change management techniques in Australia, Dunphy & Stace (1990; 1994) derived a model of change which incorporates much of the subsequent discussion (see figure 1). The model is a two dimensional matrix which categorises the scale of change (from fine-tuning to corporate transformation) and the style of management employed to facilitate the change (from collaborative to coercive). The authors, essentially providing operational definitions clarify the characteristics of each category.

There are a number of key observations and assertions suggested by the model, including a classification of common change management techniques and number of suggestions regarding the relationship between change management and certain strategic typologies. These are not the principle focus of this study. Rather the matrix is simply used as method of classifying change and facilitating comparison between organisations<sup>2</sup>.

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	<i>Fine - Tuning</i>	<i>Incremental Adjustment</i>	<i>Modular Transform- ation</i>	<i>Corporate Transform- ation</i>
<i>Collaborative</i>				
<i>Consultative</i>				
<i>Directive</i>				
<i>Coercive</i>				

Figure 1 The Dunphy & Stace (1990) Change Management Matrix

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## CHANGE AND THE NOT-FOR-PROFIT SECTOR

The majority of change management theory has been derived through the investigation of the for-profit sector. It is only in recent times that attention has begun to turn toward the NFP sector. As a result, a cohesive body of literature surrounding the issue of change is only just beginning to emerge. Of particular interest to this study are the theories and arguments that suggest that NFPs represent a particular form of organisation that require distinct methods of change management. A number of authors suggest that contingency theory does not apply in the NFP sector, but rather only one particular form of change management is appropriate - incremental participative change.

Wilson (1996:80) reviewing the change activity of NFP organisations comments that:

*... [the most] common response in voluntary organisations to managing organisational change has been the adoption of managerial practices and recipes from the commercial business sector.*

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<sup>2</sup> The change management model has been the focus of two books authored by Dunphy and Stace. The first book (1990) covered the development of the matrix and suggested a few observations and classifications that were enhanced later in the second book (1994). As such, this study will largely focus on the matrix developed in 1990 as the means of classification, referring to the 1994 edition where necessary.

Wilson (1996:87) argues that it is disadvantageous for NFPs to change in this manner because excessive commercialisation will only stifle flexibility and innovation in NFPs - significant factors that are contributing to their expanding role in society. The authors agree with this standpoint, arguing that the pursuit of commercial management practices is inappropriate and paradoxical: inappropriate, because such managerial prescriptions do not fit with the reality of voluntary operations; paradoxical, because many voluntary organisations are explicitly designed around their role to work with and for the un-enterprising.

Wilson (1996:89) concludes that the social orientation of NFPs makes them incompatible with for-profit change management techniques. Rather, he suggests that NFPs are a unique form of organisation and their process of change should reflect the social goals that gave the organisation its purpose. This conclusion is reflected in by the vast majority of authors contributing to NFP change management theory. There is an overwhelming bias amongst this literature that change should be handled participatively and incrementally.

To this end, Kadushin (1976:295 in Weinbach) provides a classic prescription of NFP change management:

*Change is best accomplished:*

- if supervisees participate from the start in planning the change;*
- if they are informed early of the nature of the planned change;*
- if change is introduced slowly, preferably with some initial trial effort;*
- if there is some appreciation of and empathy with the difficulties that change generates for the staff; and*
- if provision is made to reduce the costs of change to the staff.*

This incremental approach to change also can be seen in the work of Feinstein (1985) and Henderson-Loney (1996). Feinstein emphasises the applicability of OD approaches when change is being attempted by NFPs. In contrast to Kadushin (1976), she suggests that large-scale changes can still be envisaged, but such changes should be achieved through a gradual step-by-step process. Henderson-Loney (1996) provide an interesting addendum to this approach, suggesting that this step-by-step process of organisational change process should be based around the concepts of 12-step programs (ie Alcoholics Anonymous/Narcotics Anonymous). Under this approach, organisational change is handled in a manner similar to the gradual process personal recovery which is a process of empowerment and change-from-within.

The argument for participative management styles when undergoing change is also very strongly advocated. Kay (1996:146), describes the leadership of change in NFPs as fundamentally different to leadership in the for-profit sector:

*Leadership [is] a multi-dimensional process of social interaction, creating and sustaining acceptable meaning of issues, events and actions. Such an account goes against the dominant theme at present in much recent organisational and management writing of the chief executive alone leading the organisation.*

Kay reached this description of leadership after six years of research, interviewing leaders of NFP organisations, and reviewing a variety of theories contained in the literature. His conclusion describes leadership in NFPs as the task of people, rather than the task of an individual - thus leading change must be a collaborative process.

Young (1985:14) provides a useful description of NFP change processes that summarises much of the discussion:

*Change is, by definition, disruptive. In human service organisations it affects the welfare of a number of important groups of participants - staff, trustees, clients and the like. Given*

*that successful implementation of change usually requires cooperation of these participants, an important tenet in the management of change is to deal sensitively with them - bringing them along in partnership.*

From the above discussion, it is clear that theorists and researchers alike consider NFPs to be distinct organisations because of their social orientation, therefore only certain methods of change management are appropriate. There is a marked tendency toward preferring OD theories of change management (an approach born out of the behavioural science paradigm) that emphasise incremental adjustments. Authors also suggest that this social perspective also affect the nature of leadership in an organisation, making the task of managing NFPs distinctly different from managing for-profits. Participative forms of management are favoured by this reasoning.

#### **CASE STUDY: WORLD VISION AUSTRALIA**

World Vision Australia is part of World Vision International, a global partnership of organisations encompassing 65 national entities, established with the expressed purpose of working amongst the 'poor and oppressed', applying Christian values to promote 'human transformation'. The international partnership is made up of Support Offices who raise funds and coordinate the administration of relief programs, as well as Field Offices who carry out the relief and development work. The distinction is becoming increasingly superficial as a number of Field Offices (for example Thailand, India, Philippines) are now able to raise significant funds of their own.

World Vision Australia (WVA) was established in 1966 and in the first year of operations witnessed a modest beginning, with four staff handling an income of \$50,203, and a sponsorship base of 307 people. Since then, WVA has grown substantially. In the first 20 years of operations, regional offices were established in Sydney, New Zealand<sup>3</sup>, South Australia, and Western Australia. By the end of 1985 - a year that heightened international awareness of aid and development issues with the Ethiopian crisis - WVA was appropriating an income of \$30.8 million. The years spanning across the 1980s and early 90s witnessed a number of tragedies and international crises. WVA, like many other NGOs, grew steadily over this period as it worked hard to mobilise resources and respond to the needs of developing countries. In addition to the variety of emergency relief efforts coordinated across the period (Romanian Child, Project Lebanon, Africa Crisis Action, Cambodian Child Survival), WVA also became quite vocal on a number of advocacy and human rights issues (Paedophilia, Land Mines, Child Prostitution). Today, WVA is the largest NGO operating in Australia, with an annual income of \$98m, 340 paid employees, over 5000 active volunteers, and many thousands of child sponsors and donors.

#### **Background to the Change**

The change that occurred at World Vision described as both a 'restructure' and 'process re-engineering' effort by interview participants represents the culmination of events spanning across 3 years. Consensus points to early 1995 as the starting point, when WVA began what was described as an 'internal drive for greater effectiveness'.

To WVA's credit, the majority of staff recognised the need for change, and was willing to actively participate. Both employees and volunteers spoke of increased competition over aid funding, diminishing domestic donations, pressure toward increased accountability (from the government and the general public), and the need for development work to maintain a multiple emphasis in on community, regional, national, and international issues. There was a general understanding that development is 'not what it used to be' and WVA will have to change in order to stay relevant and remain on the forefront of effective aid and development work.

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<sup>3</sup> The New Zealand Office became an independent entity in 1974

In early 1995, under the former CEO, WVA embarked on a 'Future Search' program. This was participatory, vision-forming process, intended to prepare the WVA for the 21st century by identifying a picture of what the organisation needed to become. WVA identified that, in many respects, they had reached a plateau and where in danger of moving into decline (see figure 2). Certain fund raising initiatives had become mature and processes were so established that no one questioned them any more. One Group Executive described the situation succinctly, commenting that 'the radical, thinking-at-the-fringes, questioning spirit that is the essence of 'NGO-ness' had gone from World Vision'.

The Future Search program was derived from the work of Charles Handy (1994), an author who describes a process called 'next curve analysis'<sup>4</sup>. Future Search became a 'revolutionary, bottom up, participatory process' of working out how WVA can begin a new journey, on a new curve, as a new organisation (see figure 3). The process consisted of a variety of meetings, focus groups and retreats, all designed to encourage the staff think creatively and adventurously about the future. What made the process particularly unique, was that while the former CEO played an integral role, the initiative largely bypassed the senior management team, and focused on middle management and staff. Future Search reflected the former CEO's particular vision of the future of development work would look like. This vision described a process where the people on the ground were the voice behind the issues, and the task of management was to coordinate this bottom-up process.

The whole process came to a 'sticky end' in early 1996. There was a feeling amongst some members of the senior management team (and the Board), that the Future Search process was 'out of control'. While the thinking was very creative and ideas abounded, there was an opinion that expectations were too high. Many of the ideas generated were unrealistic - WVA did not have the technical or professional background required to achieve some of these ideas, and others completely disregarded the business realities of public accountability and the bottom line. As a result, the senior management team, in conjunction with the Board, saw fit to resume a more directive stance of change management.

Having ceased the change process and curtailed the momentum that it had generated, WVA 'stumbled through 1996'. Future Search was not replaced by a new initiative, leaving vacuum of creative energy. Consequently a negative dynamic began to seep into the organisation as optimism was replaced by scepticism - talk of change was dismissed as 'just talk'.

However, the ideas and outcomes of Future Search process were not completely abandoned. Later in 1996, the senior management team went on a retreat intending to set the future direction of the change process. The team returned with 21 recommendations. These recommendations represented, in part, a filtering of past ideas derived under Future Search, as well as the original strategic thinking of the management team.

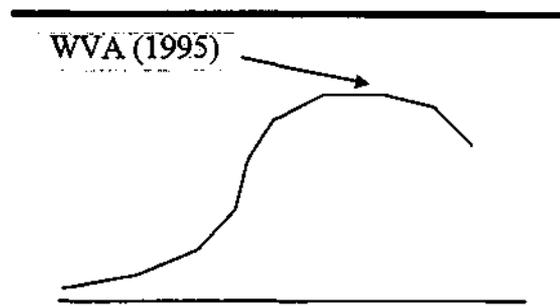


Figure 2 Next Curve Analysis of WVA (1995)  
Source: Adapted From Handy (1994)

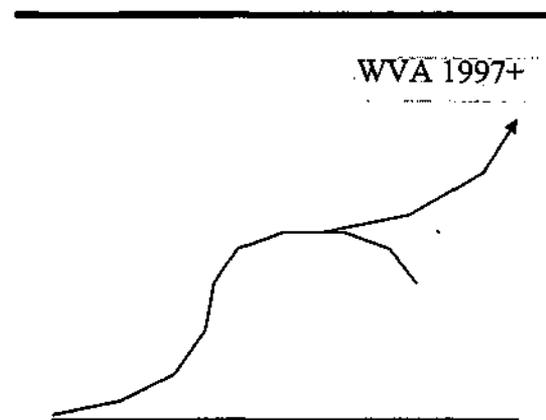


Figure 3 WVA's proposed next curve.  
Source: Adapted From Handy (1994)

<sup>4</sup> The process is very similar to product life-cycle mapping, and has been transferred to organisational strategic planning by such authors as Handy (1994:49) and Robbins & Mukerji (1990:97)

In the final analysis, both Future Search and the management retreat agreed that the organisation should be streamlined as the first step towards becoming more effective. Thus it was decided that the best way to begin WVA's journey into the next curve, was to turn attention to the organisation's structure and process. To this end, a team of staff from across the organisation was established to work with external consultants on the 'restructuring' and 're-engineering' effort. This team reviewed the operations of the organisation with a mandate to improve effectiveness, efficiency, service and quality. During this time (late 1996 - early 1997) the former CEO accepted an overseas position, and was replaced externally. The new CEO assumed his position with the review nearly complete, and thus began the process of implementing the change as his first major task.

### **Change Activity**

#### **• Restructure**

The restructuring process described by interview participants largely took issue with certain inefficiencies that had evolved into the past structure of WVA. The previous structure had become disparate and unbalanced. There were 9 key activities represented on the senior management team (including the CEO), and the marketing group in particular had grown too large and unwieldy. There was a feeling amongst managers that WVA was not presenting a unified front, and the present structure was stifling energy not releasing it.

The streamlining process began by grouping like activities together and centralising the administrative aspects of the firm. Consequently, the senior management team was reduced from nine to six. The marketing department was essentially split three ways, with communications being linked to the bureau and the state offices coordinated by the operations group. Marketing has therefore taken on more of a corporate focus. In addition, a number of activities were rationalised or disbanded, for example, education services.

In line with the new structure, the review concluded that WVA could reduce its staffing levels by 45 full time positions and still remain equally effective. This recommendation was accepted with the understanding that, as much as possible, this target be reached through natural attrition. To date, the target has not been reached and management has made 25 staff redundant in the months subsequent to the restructuring. These redundancies were normally linked with areas that were disbanded, or projects that had reached completion and were not renewed.

In order to combat the negativity and uncertainty that can be associated with 'downsizing', WVA have embarked on a unique exercise called 'Motivate and Move'. Motivate and Move is a career development program that is designed to encourage staff to think about what they can achieve as part of their career, either inside WVA or outside in another place of employment. Through this program (which employees join voluntarily), WVA is attempting to mobilise staff, filling out the new structure internally, and if some people find work outside the organisation, then WVA is able to downsize through attrition and not redundancy. From a management perspective, the idea is to invest heavily in the 'front end' of downsizing, equipping and developing staff now, in lieu of redundancy payouts at the end if targets are not met through attrition.

#### **• Re-engineering**

The re-engineering process focused on a number of areas that could be automated, or treated as cost-centres. Processes such as donor support management and receipting were targeted as manual activities that could be automated. Non value-adding areas such as publications were similarly marked for rationalisation, or reoriented so that they could prove their financial contribution to the organisation. Updating the computer system was also recommended to reduce inefficiencies as well as facilitating compatibility with other World Vision partners.

At the time of interview, this aspect of the change was still being implemented as attention was firstly turned to structural issues. However, the apparent commercial flavour of many of the recommendations has caused some contention in the organisation. Staff who argues that it has no place in NFP organisations has objected to the bottom line mentality.

## Change Management Analysis

		Scale of Change				
		1	2	3	4	
Style of Mngt		Fine - Tuning	Increm- Adjust	Mod - Trans	Corp - Trans	P a r t i c i p a t i v e
Collabor.	Decision	Hypothesis				
	Sig. Input					
Particip.	Consult					
Directive	Informed			WVA		
Coercive	Not Inf.					
		Incremental		Transformational		

Figure 4 Categorisation of WVA's change management against Dunphy & Stace's (1990) Change Matrix and operational definitions.

The experience of WVA illustrates two phases of change management: The first phase occurred in 1995-1996 as part of the Future Search process; the second phase took place from mid 1996 to present. Where the Future Search program failed to significantly alter the organisation, the second phase did result in a major change occurring at WVA, and can therefore be analysed further. The second phase illustrates a 'hard' approach to change management. Under the categorisations offered by Dunphy & Stace (1990) change matrix, it would be described as a 'Directive Modular Transformation'. In terms of the operational model, WVA describe this change as a third degree change, where employees were simply 'informed'.

### • Modular Transformation

A modular transformation is a scale of change where the organisation seeks to gain the voluntary commitment of employees to a radical new vision requiring significant reinterpretation or revision of core values. This degree of change described the experience of WVA for three reasons: (1) the restructuring process was quite large and traumatic; (2) the process was handled very quickly and decisively; and (3) fundamental values were affected by the change.

Firstly, the restructuring was quite large and affected almost all aspects of the organisation. There was hardly a job or person that did not feel the effects of the change, as reporting relationships was altered, budgets re-allocated and offices moved. Secondly, WVA's change was also transformational by virtue of its decisive nature.

This decisive implementation of change was the chosen course of action by the senior management team, because they perceived the organisation as being 'sick' of change. The demise of Future Search had left the organisation sapped of energy and cynical of change. By acting quickly and decisively, it was hoped that the change could be implemented, and the organisation could achieve closure on the preceding three years.

Finally, the scale of change was considered modular because the core values of the organisation were affected by the change. WVA is firmly grounded on seven core values. These, according to one group executive, are 'sacred and will never be altered'. However, the emphasis of the restructuring and re-engineering has certainly led to a reinterpretation of these core values, particularly with respect to matters of 'efficiency' and the 'bottom line'. In particular the core value of 'people' became the object of considerable contention, given the downsizing undertaken by WVA and the subsequent redundancies that occurred. While one perspective argues that the process of downsizing is contradictory to this core value, others

suggest that the value has simply been reinterpreted. This later perspective points out that the increasing demands of accountability require the core value of 'people' to interpret in a wider context. WVA is accountable for 'valuing' not only the employees that work in Australia, but also the donors who contribute funds, as well as the recipients of these resources overseas. This split accountability forces value to be prioritised and hard decisions must be made.

• **Directive**

Analysis of the style of change management indicates that it was handled in a directive manner by senior management through a process that was top-down and largely excluded employees from participation. Even though the review was intended to be participative in nature (by involving middle management and line staff), the feeling across the organisation was that they were neither 'involved nor engaged in the process'. While WVA did utilise some participative mechanisms, such as circulating a summary of the review's recommendations and encouraging response, middle management and staff felt that, despite these measures, they were still not able to effectively influence outcomes.

Senior management acknowledged the directive style with which the change was handled and indicates that it was a deliberate choice. They point out that part of the change process was making some very difficult decisions that did not lend themselves to collaborative decision making. If they did handle the process in a more participative manner, it probably would have drawn out the change process even further, and that would have been untenable.

In many ways, the last three years has witnessed WVA come full-circle in its management of change. From the vision finding participative nature of Future Search, the organisation has finally implemented structural change in a top-down manner. The process however continues, as the organisation settles and consolidates into its new structure. Both management and staff recognise this process as more participative in nature, with both parties actively contributing to the process.

• **Evaluation**

The change process undertaken by WVA does not support the hypothesis at all. WVA's method of change management would be classified by the operational definition as directive and transformational, which is the opposite method sought by the hypothesis (see figure 5). Similarly, the organisation does not provide a great deal of support for the result derived from the data analysis, which found a preference amongst NFP organisations to manage change participatively, regardless of whether the change was transformational or incremental.

	Scale	
Style	Incremental	Transform
Participative		
Directive		WVA

Figure 5 Evaluation of WVA case study results against hypothesis

The interviews at WVA were conducted at the time of restructuring and six months afterwards. The earlier interviews conveyed a positive feeling of anticipation. Staff members spoke of the 'change process going on for long enough' and the loss of momentum was keenly felt. It was time to have a decision made that would 'get the organisation moving once again'. Six months later, the 'mood' of the organisation was substantially different. Morale was variously described as 'flat', 'uncertain', and 'patchy'. One group executive described it as 'low ... perhaps the lowest ever'. Such a stark change in moral can be interpreted in a number of ways. One could conclude that the change process was poorly managed, or alternatively, that the organisation has not really had time to settle and redevelop routines. Either way, managers and employees alike have leveled a number of criticisms at the change process.

- **Employee Participation**

The strongest criticism surrounds the lack of employee participation allowed by senior management during the change process. In part the criticism is not justified. The management team did put in place a number of structures that allowed employees to participate in the process. Apart from the review team, which consisted of a variety of employees from across the organisation, a summary of the recommendations of the review process were circulated, comments and feedback were invited and each was responded to individually. However, the criticism does point out, and to their credit management recognise, that these participative structures were not enough. The process failed to be participatory because employees felt neither engaged nor able to influence outcomes.

Interestingly, when this kind of criticism was raised, it was clear that employees were not objecting to a final decision being made by senior management. The comments seemed to indicate that the nature of participation sought, was simply involvement in the overall process. There was an understanding in the organisation that, given the size of WVA, not all decisions can be made collaboratively, and there is an appropriate time when the leadership of the organisation must step in and make a decision.

- **Efficiency**

Another contentious issue for WVA was the drive for efficiency and resultant bottom-line orientation of many of the changes implemented. While certain members of the management team stand by this developing commercial orientation, others have described it as 'fundamentally flawed'. In part the debate is philosophically based. One manager considered this commercial orientation as incompatible with the values of NFPs, in particular NGDOs. The manager strongly disagreed with the incessant drive to attach performance indicators to every aspect of the organisation, thereby only evaluating activities in terms of costs and value-added. These sentiments were echoed by a number of people who were concerned that the change may disaffect the 'NGDO-ness' of WVA, even though it may improve its overall effectiveness.

However, those who stand by these changes contend that they are not at odds with being an NGDO, rather they are a necessary reinterpretation of core values given the demands of the present environment. An example of this reinterpretation applies to the core value of stewardship. Stewardship has been at the foundation of WVA's work and is one of the organisation's core values. A critical function of the organisation is its role as a medium through which resources are redirected from those who have plenty, to those who are in need. However, the growing demands for NGDO accountability have led to a certain reinterpretation of WVA's role as a steward. It is no longer enough to just work towards the achievement of basic rights for individuals. Accountability requirements now demand that basic rights be championed as efficiently as possible. While some would argue that it is inappropriate to attach a dollar value to human dignity, others point out that the ends justifying the means; that is, it is not such a bad thing to be required to achieve the most good for the least amount of money.

The outcome of this drive toward greater efficiency and effectiveness has led to the trimming down and streamlining of the organisation. However, 'getting to the fat' has proved to be a difficult task as NGDOs traditionally operate with a lean administrative structure, and WVA is no exception. The evaluation of this particular issue is also mixed. There is some agreement that, in terms of the overall structure, the change was effective because non-core activities were disbanded. Where contention lay most notably, was the issue of staffing levels.

As mentioned previously, the review process identified that the organisation could still remain effective with 45 fewer staff. WVA's response to this recommendation was to accept this target, but aim to achieve it through natural attrition and the 'Motivate and Move' program. The response to the initiative has been mixed. The organisation is obviously benefiting from staff going through this development program, and it is also encouraging staff to think bigger than just WVA. However, the program does present an ambiguous message that can be misunderstood by staff.

Interestingly, the decision to downsize in this manner did not improve confidence in senior management. Rather it caused a degree of uncertainty in the organisation as employees remained uncertain as to whether

their job is one of those targeted for reduction. Furthermore, natural attrition and the Motivate and Move program tend to encourage the most skilled and mobile staff members to depart, potentially leaving the 'fat' behind. Thus it appears that in attempting to handle downsizing in a humane manner, the process has backfired, and WVA retains an uncertain working environment which has not managed to effectively remove the pockets of inefficiency.

- **Vision**

Aside from the above streamlining issues, restructuring also carries with it a number of subtle implications, which the management of WVA is only now beginning to realise. One of these implications is that, through the process of restructuring, the place an activity holds in the organisation's future vision is either confirmed or denied.

Such was the case with the review's treatment of the Education and Advocacy section. It was recommended that the education section be disbanded, principally because it could not be justified as a value-adding aspect of the organisation. The recommendation was accepted, implemented, and needless to say, caused much disputation amongst staff. Some consider public education to be an integral part of development because, in their opinion, the task of any NGDO is to balance advocacy and education so that the public's thinking about issues of poverty and injustice are challenged. The outcome of the restructuring process however indicated that WVA is attempting to affect change by focusing on high level advocacy, not community education. Thus, it is apparent that although the restructuring process focuses directly on practical issues, it implicitly effects matters of vision and ideology. Given that the vision and mission of NGDO's are based on an ideological or moral position, restructuring can greatly elevate the scale of change because, by implication, it can alter this philosophical or moral position.

In the case of WVA, this point is critical. Essentially, the whole process begun with the question, "What is WVA, and what do we need to become in order to thrive in the 21st century?". This is a question of ideology and vision, however, the change process answered it in pragmatic terms, defining the organisations ideology and vision implicitly through changes in structure and process. If this method of change is likened to building a house, then the process effectively designed and built the dwelling without giving prior thought to the foundation. Interestingly, vision was identified (in retrospect) by a number of managers as the missing ingredient in the change process, and perhaps the crucial element that may get WVA 'moving' once again.

It appears that WVA is having difficulty restoring stability and momentum to the organisation because it handled the change directly, without first clarifying the vision of the organisation. Further more, the commercial nature of the re-engineering process has introduced a new dynamic to the organisation that has met with mixed support. As a result, the original question 'What is World Vision?' has not been clarified, and the subsequent question, 'What do we need to become in order to thrive in the 21st century?' also remains unresolved.

Also it should be kept in mind that WVA has barely completed its change process and is currently consolidating its new structure. However, the criticisms highlighted are still pertinent. With the benefit of hindsight, almost all of the senior management team commented that they would have done some things differently, and some wonder what would have happened if the Future Search process followed through to fruition.

## **DISCUSSION**

The results of this study suggest that, despite the prescriptions of change management theory NGDOs are not uniformly managing change in a manner that is both incremental and participative. It described an organisation that managed a transformational change process directly. This result does not support the hypothesis at all and locates WVA amongst the minority of preferred change management methods derived from the data analysis.

## The Participation Dilemma

Participation is a key issue as the degree of employee participation is more of a defining factor in NGDO change management than the scale of change. It was apparent that employee participation was the most problematic aspect of change. This alludes to a common problem - the problem of setting the 'boundaries of participation'. By 'participation boundaries', this means the limitations that were set in place to circumscribe the discretion of employees.

The three year process of change at WVA witnessed the use of very different type boundaries. The 'Future Search' program was almost unbounded. Very few parameters were set around this process, and employees were actively encouraged to think adventurously about the future and disregard present realities. This process never reached fruition being replaced by a review and restructuring process that was highly bounded. The only scope given to employees to participate in this second change process, was to comment on the overall recommendations derived from the review process.

Whether or not this directive management style came as a direct response to the collaborative nature of Future Search is irrelevant. What is pertinent is that in retrospect, a number of senior managers now consider the boundaries that were put in place to be too high. They recognise that the employees were not given enough opportunity to contribute to the review and consequently were not engaged by the change process. As such, this factor goes a long way in explaining the low morale that is keenly felt.

Employee participation is something of a balancing act. By circumscribing the process too closely, employees are not engaged believing the result is a forgone conclusion. By leaving the process unbounded, employees may act in ignorance and therefore contribute irrelevantly. As such, boundary setting forms the first part of the participation dilemma.

The second aspect of the participation dilemma concerns the dynamic nature of the participation process. Interestingly, members from both organisations indicated that they did not want a process that was collaborative. Rather, they agreed that it was most appropriate for senior management to make the final decision concerning the outcomes of change. Those interviewed spoke of dual management requirements - of leading from the front, and leading from behind. They considered that each was appropriate, depending on the situation.

This final point is perhaps indicative of the different position each organisation is now in. WVA is struggling to leave the change behind. It illustrates the dynamic nature of participation that forms the second aspect of the dilemma. When combined, it is apparent that the task of managing participation requires :

1. Setting boundaries in an appropriate manner to maximise the *potential* of employee participation (not necessarily the *degree* of employee participation). This aspect is relative to the organisation in question and will be discussed later in this section.
2. Ensuring that the process of review and change is sensitive to these boundaries. In this way, any contribution made by employees is appropriate and able to be fully utilised by those making the final decision for change.
3. Treating these boundaries as dynamic, adjusting them across the change process, as managers are variously required to lead from in front and behind. Again this must be treated as relative to each organisation's situation. For example, contrary to the experience of the case study organisations, it may be necessary for management to strongly lead the initial stages of the change process so that the organisation appreciates the need to change, and consequently contribute to the process.

These three recommendations are regrettably general, but necessarily so given the scope of this study's inquiry. As such, they are principles that can guide managers thinking about a future change process, and also provide a basis for which future study can be undertaken.

## **The Role of Vision, Mission and Ideology**

The struggles encountered by the organisations regarding their vision, mission and ideology is another key issue highlighted by this study. The case studies described how both organisations disregarded these matters in process of change, possibly to their detriment. As such, there appears to be a curious dynamic existing between the restructuring/re-engineering process and the organisation vision, mission and ideology<sup>5</sup> that warrant further discussion.

Managers from both organisations identify questions of philosophy as the background driving force behind the eventual change. Much of the activity of the last two - three years can be understood as attempts to answer the two classic questions: What kind of organisation are we? What kind organisation do we need to become?

Initially WVA addressed these questions directly via Future Search. In the end however, the organisation achieved change via the reverse process, defining processes and structures first, and worrying about philosophy second.

This link between organisational structure, process and philosophy becomes clearer when consideration is also given to the definition of NGDOs. This definition concluded that NGDOs could only be clearly identified by the values that form their foundation. Structures and processes are the means by which these values are attained. If an NGDO changes its structures and processes, it changes the means by which it achieves its founding values, implicitly emphasising a certain philosophy and de-emphasises another. While the link is indirect, the evidence gathered as part of this study suggest that it is quite strong. Consequently, managers must be aware that even the most practical of changes may carry implications that reach far deeper. These implications greatly elevate the scale of change, and an organisation must be sensitive to this in order to avoid contention, or at least utilise it effectively.

## **Employee Participation and Organisational Philosophy**

To extend this discussion one step further, it is the opinion of the authors that the above mentioned structure-process-philosophy link also impacts the participation dilemma. In essence, the link provides a mandate that change in NGDOs be managed participatively. The reasoning behind this assertion, which is largely derived from the case studies, is as follows.

The majority of employees found in NGDOs work there because they identify with the values for which the organisation stands. Money is certainly not the sole motivating factor, and this was indicated by a number of interview participants. Given this orientation, the worker is greatly affected by a restructuring process when the change alters the compatibility of values that previously existed. If the dissonance between the employee's values and the organisation's new philosophy is too great, there may be cause to leave the organisations and seek employment or volunteer work elsewhere.

This factor greatly elevates the importance of carefully managing employee participation in an NGDO change process. People do not change their values overnight. They may evolve over time, but their development is gradual. As such, participation can play an integral part in this development. Through the process of discussion and debate, new insight can be attained and perhaps a consensus reached. Arguably, it is a better process for ensuring the success of a change process when compared to a directive style which gives employees no opportunity to influence the values of the new organisation.

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<sup>5</sup> For the sake of simplicity, vision, mission and ideology will be collectively referred to as the organisation's 'philosophy'.

## CHANGE MANAGEMENT EVALUATION

The change effort at WVA represented a process that was the least sympathetic to the social orientation of NGDO's. It was quite commercial in nature, subordinating (or 'reinterpreting') many of its core values to matters of efficiency, while choosing to directively lead from the front. These aspects can not be ignored. This would certainly influence the low morale that has been identified by interview participants, and it goes a long way in explaining the current difficulties the organisation is having.

The change process at CAA provides an interesting comparison. Although it was driven by a financial imperative, the organisation's management of change appears to have similarly emphasised bottom-line issues while keeping its 'NGDO-ness' in-tact. The process was distinctly participative, and the management team dynamically handled the period of transition, leading from in front and behind. The mood of the organisation is notably buoyant, and a feeling of momentum beginning to develop.

WVA now has the common problem of operating with an ill-defined vision, mission and ideology because these were ignored for the duration of the change process and consequently changed by implication.

Without the benefit of specific information with which to evaluate the organisation, for example business performance indicators or measures of job satisfaction, it is difficult to make a hard and fast assessment. What can be observed, however, is that the members of WVA comment that if they had their time over again, they would certainly manage the change process differently

This study has raised a number of questions that deserve further investigation. For example, it would also be beneficial to see how the results of this study, which pertain mainly to NGDOs, reflect the experience of the wider NFP sector. A study could investigate whether NGDOs are a distinctive form of organisation apart from their values, and whether the lessons learned in these organisations can be transferred to other organisations. This could be achieved by repeating the methodology of this investigation in other NFP organisations, which would also facilitate the comparison of results between studies.

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