

MANAGEMENT OF NONPROFIT ORGANISATIONS: MOVING TOWARD A NEW STRATEGY

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Abstract

This paper puts forth the thesis that the management of non-profit organisations is often ill understood because we proceed from the wrong assumptions about how these organisations operate. Based on this premise, this paper develops a model of the non-profit form as a conglomerate of multiple organisations with multiple bottom lines that demand a variety of different management approaches and styles; a holistic conception that emphasises the diversity of orientations within and outside the organisation; a normative dimension that includes not only economic aspects but also the importance of values and politics; a strategic-developmental dimension that sees organisations as evolving systems encountering problems and opportunities that frequently involve fundamental dilemmas; and an operative dimension that deals with the everyday functioning of organisations. In a third part, the paper presents the basic contours of an analytic approach that tries to accommodate the distinct management challenges faced by non-profit organisations.

Introduction

The topic of this paper is as difficult as it is challenging. It is difficult because the paper can but scratch the surface of some of the major issues involved, and can, therefore, only superficially deal with some of their implications for our understanding of non-profit management theory and practice. It is challenging because the paper speaks against much of the conventional wisdom of standard management books on non-profit organisations; and accepting the major thrust of the argument presented here would ultimately call for a reappraisal of how we think about non-profit organisations and their management. Several caveats are called for at the very beginning. First, several authors have written on the need to revisit the focus of non-profit management, and the major thrust of the argument developed in this paper owes much to their insights about the role of non-profit organisations in the United States and Europe (see, for example, Handy, 1988; Billis, 1989; and Hudson, 1999). Likewise, organisational theory and normative management approaches inform much of what this paper proposes (Powell and DiMaggio, 1991; Gomez and Zimmermann, 1993; Kanter and Summers, 1987; and Perrow, 1986). Yet the paper proceeds from the assumption that current management and organisational

theories have not fully come to terms with a simple question: are non-profit organisations sufficiently distinct from both

business firm and public agency as to require separate management models and practices?

Trying to answer this seemingly simple question leads to other, equally challenging ones: is non-profit management a variation of business management? Is it closer to public management and administration? Or do we in fact find that the management of non-profit organisation is distinct from both, requiring models that fit neither the corporation nor the public agency? Of course, these questions assume some agreement of what non-profit organisations are, and how to define them. Like all organisations, non-profit organisations vary much in terms of mission, size, mode of operation and impact, particularly in a cross-national sense. Some are closer to the model of a government agency; others may indeed resemble the business firm; and yet others may be little more than an informal network. These variations notwithstanding, however, there is an emerging consensus among researchers in the field that those non-profit organisations have the following core characteristics.

The issues

The liability of newness

Let us first look at the obvious answer, entitled “liability of newness”, to express the tendency of new models and techniques to encounter initial difficulties and problems that are largely associated with inexperience and unfamiliarity (Freeman, Carroll and Hannan, 1983). The non-profit sector in industrial countries has become a major economic force. In the 22 countries studied by the Johns Hopkins Comparative Non-profit Sector Project, which includes the US, the UK, France, Germany and Japan, the non-profit sector employed on average five per cent of total employment

(Salamone et al, 1999). In addition to paid employment, moreover, non-profit organisations in the 22 countries have the equivalent of 10.4 million full time employees as volunteers. Adding these to the total would increase non-profit employment to 7.1 per cent of total employment in these 22 countries. What is more, much of the non-profit sector, while rooted in age-old principles of charity, voluntarism, philanthropy or sociability is of fairly recent origin in terms of its economic weight. In fact, in most countries, the non-profit sector is a product of the last three decades, fuelled by expanding social welfare legislation, demographic and cultural shifts, increased prosperity, and a changing role of the state (Ben-Nera and Guy, 1993). Salamone et al (1999) found that relative to its size, the non-profit sector has contributed significantly to employment growth during the 1980s and 1990s.

The copy-cat principle

The second answer to our question is subtler. In contrast to the liability of newness argument, which stresses current inexperience and the long learning curve that lies ahead of non-profit organisations, the “copy-cat” thesis emphasises the way in which management has been “discovered” by non-profit organisations. We should keep in mind that the non-profit sector has experienced decades of growth in relatively stable political environments, at least in EU countries and the United States. Importantly, non-profit sectors have been less subject to business cycles and the “ups and downs” of the market. Indeed, few industries can look back to such long periods without major shake-ups and upheavals, both economically as well as politically. Yet things are changing, and they are changing rapidly. Many non-profit organisations are facing greater uncertainty, particularly in the financial field, as government budgets are being cut back and as non-profit organisations are being asked to shoulder more responsibilities (Deakin, 1995). The reasons for greater emphasis on management may then be found in the more precarious revenue situation facing many non-profit organisations, especially those that, in the past, relied on dependable government support to a large extent. Thus, non-profit organisations have to deal with something they are not used to: uncertainty. Organisations in distress look for outside models they perceive as successful and promising (DiMaggio and Powell, 1983). It is a copycat behaviour quite common in the business world and in government. In the cultural and political climate of 1990s, “successful” models are more likely assumed to be found in the more self-confident world of business than among governments

that have grown insecure about their role in society. Non-profit organisations, therefore, look more to for-profit corporations and commercial enterprises for management tools and models in the hope of finding solutions to real or perceived financial challenges.

Implications:

Towards a comprehensive management approach, the non-profit management literature has generally not taken into account that non-profit organisations are multitudes of different organisational components, representing different bottom lines. Fortunately, the management concept suggested by Gomez and Zimmermann (1993, pp. 20- 27) offers a useful step toward the development of management models that are more in tune with the realities of non-profit organisations. Among the key facets of their approach applied to the non-profit field are: A holistic conception of organisation that emphasises the relationship between the organisation and its environment, the diversity of orientations within and outside the organisation, and the complexity of demands put on it. A holistic view of organisations is particularly needed in the non-profit field, where organisations are frequently part of larger public-private systems of service delivery. In such systems where multiple bottom lines are in operation, information available to management is frequently incomplete, dated, and distorted. A normative dimension of management that includes not only economic aspects, but also the importance of values and the impact of politics. Thus, in addition to management under uncertainty, which is the result of incomplete information, we are dealing with organisations that involve different perceptions and projections of reality as well as different assessments and implications for different

constituencies. The normative dimension of non-profit organisations has been emphasised by a number of researchers, and this suggests that it may be wrong to approach non-profit management as if value and normative orientations would not matter. A strategic-developmental dimension that sees organisations as an evolving system encountering problems and opportunities that frequently involves fundamental dilemmas for management. This dimension views non-profit organisations as entities that change over time as they deal with the opportunities and constraints confronting them as part of a larger political economy. An operative dimension that deals with the everyday functioning of the organisation, such as administration and accounting, personnel and service-delivery. This is

indeed the part that has been the focus of conventional non-profit management (see Oster, 1995; and Schwartz, 1992, as examples).

A model of non-profit organisations

Against the background laid out above, the model of non-profit organisations as conglomerates of multiple organisations or component parts represents one possible analytical framework to understand the various dimensions, dilemmas and structures involved in non-profit management. Such a model involves several crucial dimensions (see Figure 1). 4.1 Tent or palace? A critical first dimension is that between “palace” and “tent.” A palace organisation values predictability over improvisation, dwells on constraints rather than opportunities, borrows solutions rather than inventing them, defends past action rather than devising new ones, favours accounting over goal flexibility, searches for “final” solutions, and discourages contradictions and experiments (Hedberg, Neston and Starbuck, 1976; and Weick, 1977). For example, many of the larger non-profit service-providers, think-tanks and foundations have become more palace-like in their organisation. By contrast, a tent organisation (Hedberg, Neston and Starbuck 1976; Starbuck and Dutton 1973; and Mintzberg, 1983) places emphasis on creativity, immediacy and initiative, rather than authority, clarity and decisiveness; the organisation emphasises neither harmony nor durability of solutions, and asks, “Why be more consistent than the world around us?” Civic action groups and citizen initiatives, self-help groups among people with disabilities and local non-profit theatres are frequently tent-like organisations. Few non-profit organisations are either “pure” tent or palace. Instead, non-profit organisations are frequently both. Behind this tent-palace duality lies the notion that some of the multiple components of non-profit organisations tend to be more tent-like, while others resemble palaces. Whereas tent organisations represent the management styles of “adhocracy” (Mintzberg, 1983) and “muddling through” (Lindblom, 1968), palaces come closer to the models of Taylorism and classical organisational theory. For Mintzberg (1983, p. 463), “no structure is better suited to solving complex, ill-structured problems than adhocracy,” just as for Weber (1921) bureaucracy was the superior form for well-defined and routinised task environments.

Technocratic culture or social culture?

The second key dimension is between a technocratic and a social culture. Some organisations emphasise functional performance criteria, task achievement, set procedures and operate under the assumption that organisations are problem-solving machines. This is the technocratic view, best illustrated by Taylor’s scientific management. This approach contrasts with the people orientation, personal environment of a social culture in organisations, exemplified by the human relations school in organisational theory. In the latter, organisations are akin to “families” rather than machines. For example, non-profit organisations that emphasise normative elements, such as religious or political convictions, are more like families, whereas others, such as hospitals or schools, can become more “machine-like.” Techno-cultures are frequently characterised by management models like operations research, whereas socio-culture come close to the human relation approach in organisational theory, emphasising the importance of informal relations and holistic concepts of employee motivation (see Gomez and Zimmermann, 1993, pp. 42-51).

Combining key elements

The core structural elements of organisations are displayed in Figure 2 (adopted from Gomez and Zimmermann, 1993, p. 135). We obtain a picture that emphasises in its component parts the various dilemmas the structure of organisations entails. Specifically, it outlines the challenges facing non-profit management. The position analysis in Figure 2 usefully captures the complexity of non-profit organisations and their tendency to have multiple bottom lines. Some elements will emphasise technocratic aspects, while others pull it more into a socio-culture; some constituencies favour palace-like organisations, while others prefer to operate as tents; some parts of non-profit organisations are more externally-oriented, while others are more inward looking; and finally, some organisational elements are hierarchical, while others are more like networks and loose coalitions. The challenge of non-profit management, then, is to balance the different, often contradictory elements that are the component parts of non-profit organisations. How can this be done? In a first step, management has to locate and position the organisations in the complex push-and-pull of divergent models and underlying dilemmas and choices. Following such a position analysis, management can ask: “Is this where we want to be? Are we too much like a palace, too hierarchical, too technocratic and too outer-directed? Should we be more tent-like, more organised as networks, with a socio-culture emphasises

and our own resources and capabilities?" In this sense, we can easily see that non-profit management becomes more than just cost-cutting and more than just the exercise of financial control. Management becomes concerned with more than just one or two of the numerous bottom lines non-profit organisations have. In other words, management becomes not the controlling but the creative, enabling arm of non-profit organisations.

Conclusion This paper began by putting forth the premise that the management of non-profit organisations remains ill understood because our understanding of these organisations has not gone deep enough. I argued that the structural definition of the non-profit form still requires an explicit statement about the essential or distinctive features of this set of organisations. So, is particular about non-profit organisations that would require special management models and techniques? Non-profit organisations are different from businesses not because they are simple, trivial organisations, but because they are more complex. Having multiple bottom lines, they are in tendency also multiple organisations. Multiplicity is the signature of the non-profit form. The challenge for management, then, is to develop models that identify these components, their cultures, goals and operating procedures in an effort to establish some coherence and identity between mission, activities and outcomes. What are the implications of this discussion in the context of current developments? A full account of implications that follow from the approach suggested here is beyond the scope of this paper. Nonetheless, several theoretical and management-related implications are apparent:

Inertia and inefficiency

Meyer and Zucker (1989) have commented on the persistence of non-profit organisations despite low performance. This view, echoed by Seibel (1996), diagnoses the longevity of non-profits as a case of permanent failure rather than success. They suggest that because of their complicated governance structure and minimal influences from markets and the electorate to check on performance, non-profits can easily be manoeuvred into a state of hidden failure. In the context of the management model suggested here, we can easily understand why and how this can happen. Different organisational component may unknowingly lock into a stalemate, unable to change matters without giving up its own position. Truly successful non-profit organisations require pro-active management models, not management by exception. Because performance

signals from markets and electorates are incomplete, if not totally missing, pro-active management frequently has to position and locate the organisations.

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