MANAGING SUSTAINABLE NON-PROFIT NETWORK ORGANIZATIONS

We draw upon a case study conducted within a non-profit network organization to propose five dualities which are central to understanding effective management of non-profit networks. We then examine strategies that address these dualities, based on new approaches to leadership, performance measurement, governance, coaching and creative management of dualities.

Government services have been privatised in Australia and many other countries, yet the transition from government ‘hierarchy’ to service delivery by non-government providers has proven to be challenging. Organizations have to deliver the same services, but they struggle to find ways to improve their performance while still conforming to government regulations. In this paper we draw upon a case study conducted within one such organization, which consists of collaborating but autonomous organizations networked together. We propose that five dualities are central to understanding the challenges to effective management of non-profit network organizations. We explain these dualities and then examine some strategies that address these difficulties and may lead to improvement of the performance of non-profit networks.

BACKGROUND

The non-profit sector (or third sector) is a large and important part of the Australian economy (Tyler, 2005). Their employees constitute 7.6 per cent of the Australian workforce (Lyons, 2001).
Changes to government policy have been influential in shaping what has become known as the microeconomic reform agenda in the Australian third sector. There is an increasing emphasis by government on the accountability, effectiveness and efficiency of the third sector, characterized by an increasing focus on performance management (O’Neill and McGuire, 1999). With the adoption of corporate management practices (Lyons, 2001), organizations in the third sector increasingly adopt performance management criteria to account for their management practice.

In 1998, the Australian Government abolished the Commonwealth Employment Service department and replaced it with Job Network which contracted out virtually all public employment services to private or community organizations (Webster & Harding, 2000). This privatization involved changes in the management of employment services, making the contractor organizations more competitive (Dockery & Stromback, 2001), more accountable for job-seeker outcomes and more focused on their performance in order to ensure their survival (Burtless, 2002). These organizations had to be compliant to government-department policies as part of the contracts they won. A study of agencies involved in Job Network examined the impact of this change on service delivery styles and the mission of the non-profit agencies that participated. It found a convergence of service delivery strategies among different types of agencies, higher caseloads, reduced attention to the needs of individual job seekers and greater ‘creaming’ of the easiest job seekers at the expense of those more disadvantaged (Considine, 2003). Some of these agencies organized themselves into a cooperative inter-organizational network, of the type seen in many other countries and described in Alter & Hage (1993) and Provan and Milward (2001).

Collaborations between organizations are now commonplace (Eden & Huxham, 2001). Networks are highly fluid constructs dependent on ongoing social relations established between members to build the shared values, trust, and mutuality that are necessary for collective action (Keast & Brown, 2002). The goal is to build a ‘collaborative advantage’ in which multiple organizations together achieve something that individual organizations could not achieve alone (Huxham, 2003). Although there is substantial evidence of the need for and benefits of collaborative business relationships (Jap, 1999), maintaining collaborative relationships may be fraught with difficulties – they often seem on the verge of falling apart (Baker, Gierland & Chandler, 1999). The phenomenon of ‘collaborative inertia’, in which the outputs from collaborative arrangements are negligible or extremely slow, or break down without benefit to any parties, has become well-known since its recognition by Huxham (2003). Non-profit organizations, particularly those dealing with ‘vulnerable populations’, have traditionally tried to work together (Provan, Milward & Isett, 2002). Yet, collaborations that focus around social issues are noted to be particularly challenging, partly because of the ambiguity surrounding the nature of the social issues (Eden & Huxham, 2001).

It has been argued that improving organizations’ sensitivity to relationship issues will result in better performing firms and networks (Brandenburger & Nalebuff, 1997; Provan & Milward, 2001). It is through collaborative relationships that knowledge as well as other strategically important resources are accessed and created. Also, collaborative networks are seen as having an ‘organic’ ability to adjust and reorganize their patterns and structures in order to improve their growth, sustainability and resilience (Eisenhardt & Gahmic, 2000). Overall, the literature provides evidence for advantages of network formation, including knowledge-sharing and sustainability, but it also documents the challenging nature of collaborative networks.

**Case-study organization**

We will now describe the organization that we have been studying over the past two years while it has been trying to improve its performance using various interventions. Employment Services Corp (ESC), a pseudonym, is a network consisting of independent member organizations linked together via
contractual arrangements for the purpose of jointly bidding for employment service contracts. It has a Head Office which administers all the contracts and coordinates the contract-related activities. The contractual arrangements require certain procedures to be carried out, such as entering job-seeker information into government-department databases. Rather than focusing on the member organizations as the basic unit, Head Office views the work on each contract as being carried out at ‘member sites’ – employment service offices at specific geographic locations.

Established nine years ago, ESC provides employment, training and related services across Australia. It has 160 different locations, in remote, regional and urban areas. It specializes in assisting the most disadvantaged in the community, including indigenous Australians, people with disabilities, and ex-offenders. The network aims to provide excellent services to job seekers through the member sites, which are committed to the communities in which they are located. A notable aspect of the network culture is the acknowledgement that the member sites and the communities which they serve are all different from one another. These member sites, being part of another organization – such as a charity, a religious organization, a local council, an independent or not-for-profit organization – will, in variable degree, be influenced by philosophies and procedures which stem from their parent organization. Therefore, each member site is accountable not only to the government department and the Head Office, but also to the CEO of their parent organization. Each member site has a site manager and employment consultants (who are the people who have direct contact with job seekers), and may have employees in other managerial or support roles as well. Thus, this network within its governmental framework provides a very complex organizational context.

ESC is a loosely-coupled organization (Weick, 1976) with little organization-wide communications infrastructure (e.g. member organizations provide their own telephone and email systems). Furthermore, the Head Office has little detailed information about the member sites (e.g. employment decisions and payrolls are handled by the member organizations). The sites therefore operate as if they are team members from different organizations working within a large geographically-dispersed virtual team. The recent addition of a website that operates as an intranet for the network organization provides a unifying force, as do an annual national conference and regular meetings between member-site managers.

There were two main interventions to try to improve the network’s performance that occurred during the last two years. First, ESC’s Head Office took a strategic decision to encourage more collaboration between the member-sites within the network. The advantages they expected included more knowledge-sharing between sites, less reliance on Head Office for training and problem solving, and quicker diffusion of innovative ideas that could further enhance performance. However, as Considine (2003) points out, “in an environment of secrecy and with only one purchaser to please, contractors lack incentive to communicate good practice to others” (p. 75). Their efforts to build collaboration were only partially successful. Our study of this change effort is reported in Kan, Baker & Teo (2006).

The second intervention, which was carried out during the following year, was a pilot program (ICM) aimed at supporting highly disadvantaged, long-term unemployed people so that they could move into sustained employment. It involved assigning specially trained employment consultants a much smaller caseload so that they could spend increased time with each of the job seekers. It was started in response to changes in government policies which provided greater rewards for finding work for the long-term unemployed and also for competitive reasons, as this was a period of very low unemployment. Within the pilot group, this program was successful, as reported in Kan (2006). Some of our specific findings will be referred to at relevant points in the next section of this paper.
DUALITIES IN NON-PROFIT NETWORK ORGANIZATIONS

We will now propose five dualities that we feel are central to understanding the challenges to effective management of non-profit networks. These are based on our studies of ESC as well as relevant literature. The dualities are somewhat inter-related but we describe them separately, because when analyzing this kind of complexity, it is often useful to adopt different perspectives.

Governance: Too Much/Not Enough Autonomy

Governance is the means by which organizations achieve direction, control and coordination of constituents with varying degrees of autonomy. Governance processes incorporate the organization’s enabling statutes, procurement of resources, programmatic structures and administrative rules and routines. Formal and informal rules, social norms and structures that govern relationships are also considered a part of governance (Lynn, Heinrich, & Hill, 2000).

Within the public management literature, it has been argued that networks require structural and governance arrangements that are specifically based on relationship principles and practices of negotiation and bargaining (Brown & Keast, 2003). Huxham (2000) argues that governance, in terms of the managerial and institutional factors that may affect the day-to-day operation of inter-organizational initiatives, can be used as a way to understand how collaborative arrangements may provide value to collaborative partners.

Governance can be problematic within collaborative networks. When there is inequality of power or resources between the partners, this creates tensions which can cause the partnership to dissolve. The creation of a head office within a network, although often advocated as a means of improving network governance, can add to these inequalities and thus exacerbate these fissiparous tendencies.

At ESC, there was evidence of resistance by some of the member organizations to attempts by Head Office to build a more collaborative network and encourage more sharing of information and more joint activities, implying they wanted more autonomy. There were also signs that the member organizations may have too much autonomy. One, Head Office took over control of a few of the sites that were performing poorly. Two, member-site managers at poorly performing sites often mentioned the difficulties they encountered when trying to obtain appropriate resources from the CEO of their parent organization (Kan et al., 2006). The contractual arrangements between the parent organizations and Head Office permitted the member organizations to control site resources and employee payrolls.

Within governance frameworks there is a need to balance the tensions between an organization’s collaborative advantage and potential partial sacrifice of either their, or their member’s priorities (Imperial, 2005). The role, scope and desirability of governance is regarded as an emerging field in research on non-profit organizations (Dawson & Dunn, 2006).

Performance: External/Internal Evaluation

Measurement of managerial performance should be undertaken as part of the strategic management process, but, as Lyons (2001) states, it is difficult to measure performance in third sector and public sector organizations, as they do not have the simple measure of rate of return on funds and/or share price to illustrate how they perform in the community. Such a ‘bottom-line’ performance focus is also generally at odds with the non-profit culture that largely focuses on their mission or their ideological base, potentially to the detriment of the pragmatism expected in the marketplace. In addition, performance measurements are difficult to operationalize (Huxham, 2000), given the complexity of inter-organizational arrangements, especially for organizations operating in the human services sector.
However, this complexity may not be reflected in the actual performance evaluations currently being used in non-profit networks. Within ESC, external measures of performance prevailed. Performance was ranked on a nationwide star system determined by the government authority responsible for employment, and was measured and reported for each member site separately. The data about the job seekers that was entered by employment consultants into the government databases was the basis for these measures. Ranking was based on: number of job placements; length of time the job seeker was previously unemployed; length of time the job seeker maintained employment, and whether employment was fulltime.

This externally-imposed reward structure had other drawbacks from ESC’s perspective. It was complex and would be changed from time to time, so that it was difficult for site personnel to understand how to maximize their site’s earnings. This was one reason for ESC developing the website and increasing site access to information about the performance measures. Another disadvantage was that it focused on sites rather than the network as a whole.

External performance measures can increase tensions within a network. Within the non-profit sector prior to privatization of employment services, organizations helping the unemployed focused on internal measures that were related to their mission or ideological beliefs when evaluating how they were doing. The information they needed to determine this could be obtained directly. Government as a key stakeholder influencing these collaborative arrangements (Klijn & Koppenjan, 2000) has been characterized by a largely instrumental focus on efficiency and wealth maximization, in contrast to the non-profits’ community-based values.

**Values: Compliance/Service**

The conflict between corporate and community values plays an important role within non-profit network organizations. ESC’s vision was to excel as an effective and values driven provider of employment and related services. Their foundation principle was their commitment to, and involvement in, the local communities in which they operate, to strengthen local communities through job generation, economic development and community development. These aims seem to incorporate both corporate and community values, implying that the conflict was resolved.

Yet what emerged during the case studies was a related tension, that between compliance and service. This came through most clearly in connection with the second intervention, the ICM pilot (Kan, 2006). Unlike other ESC programs, in this program there was no time limit on interactions with the job seeker and the focus was on service provision rather than on compliance. This meant that consultants were available to job seekers for extra meetings and continued support, even post-employment. Consultants reported that job seekers who had been alienated by the usual procedures became more cooperative, and that their own attitudes towards job seekers were more positive. One respondent said, “It changed my whole attitude and that’s pretty amazing. I got back to work and everyone saw the change in me… I’ve always had a positive attitude, but now I really trying to bring it out and instill it into the job seeker and its working great”. Consultants also commented on the benefit of being able to spend more time with job seekers to understand their barriers in order to prepare them for sustainable work. The enthusiasm generated by this pilot program was infectious - what one respondent described as a ‘ripple effect’ – with consultants not participating in the ICM pilot also being affected.

Recall that during the second year of our study, changes in government policies which provided greater rewards for finding work for the long-term unemployed had been added to the earlier policies. So this intervention was still ‘compliant’ although being much more service –oriented. In a sense, it represented a step back towards the service values of the pre-privatization period.
Employees: Alienation/Support

Within the American context, it has been argued that many private non-profit organizations have a values-expressive character that distinguishes them from business and government organizations and creates a special context for their management (Jeavons, 1992). They exist primarily to give expression to social, philosophical, moral or religious values. The focus is on justice, human dignity and service, and the “product” of a non-profit, according to Drucker (1990), is a changed human being. Within Australia, according to Onyx and Maclean (1996), the non-profit or, as they call it, the “third sector”, has a similar character. This would be the sector from which many of the member organizations providing employment services within ESC would have come.

Within third sector organizations, there is greater emphasis on internalized performance standards, professional codes and a collegial work culture and they are more likely to recruit and retain employees whose values and preferred modes of working are congruent with that type of work culture (Onyx & Maclean, 1996). Interviews found that for third sector employees “team work is important”, they want to be “close to the ground”, and they “need others for support” (p. 340). They rejected large bureaucracies, objecting to working in government agencies for that reason.

The employees of an employment-services network like ESC have a complex work environment. Huxham (2000) argues that collaborations require employees to change their perspectives on how they work with others. The shift from traditional work to collaborative work (e.g., project team, community networks) has an effect on how work is organized. In addition, when employees who are collaborating are from organizations in a distant location, it is like working in a geographically-dispersed cross-functional virtual team. There can be difficulties when the other member organizations have different ‘languages’, norms and work styles. Also, as they are actually employed by the member organization rather than the network, it is not obvious what advantage these employees will gain from sharing information with staff at other sites or from involvement in activities arranged by Head Office.

Even without collaboration, the network structure at ESC creates a stressful work environment at the member sites for many of the employees (Kan et al., 2006). Employment consultants at the sites have problems with the use of the technology and entering job-seeker data into the government-department databases, and much of the training they receive is related to that rather than to their work with job seekers. Communication from Head Office is often referred to by site managers and employment consultants as ‘directives’. Not surprisingly, there is high turnover, burnout and stress, particularly at the poorly performing sites.

In contrast to these indicators of alienation, those consultants who participated in the ICM pilot often mentioned feeling that they now had increased support from Head Office, “…feeling like you’re not alone, there is nothing worse than feeling unsupported” (Kan, 2006). Furthermore, social networking increased between the ICM consultants at the pilot sites.

Leadership: Single Leader/Multiple Leaders

Day-to-day interactions between employees are a continual challenge for managers in a network. This has recently been recognized and addressed within the literature on leadership in organizations that have a networked or organic structure. Avery (2004) argues that new forms of leadership are needed to respond to the growing fragmentation of workers and the complex linkages between employees in these new organizational structures. Previously, she suggests, visionary leadership was considered the most effective strategy. Within the visionary paradigm, a unified vision provided by a single leader or group dominated an organization. Avery (2004) argues that an organic leadership paradigm is more effective in the new networked or organic organizations and that, within the organic paradigm, leadership will need to
operate through vision and values that permeate the culture of the entire organization, and organic forms of leadership will need to operate at many of the levels in a networked organization.

However, few managers or employees have experience with organic forms of leadership and we can only see the beginnings of these new forms in most organizations. An interesting incident occurred at ESC during the first year’s intervention when Head Office was trying to encourage more collaboration between the member sites. Our study revealed that collaborative initiatives with other sites had been taken by some of the site managers. But Head Office staff hadn’t noticed these initiatives and so didn’t build on them as part of their own efforts to encourage more collaboration between member sites (Kan et al, 2006).

In summary, we have described five dualities that occur in these complex new forms of organizations, non-profit networks. We now turn to some potential solutions.

**STRATEGIES AND SOLUTIONS**

In this section, we examine some strategies and solutions that could improve the management of non-profit networks.

**New Forms of Leadership**

Our case studies indicate that new forms of leadership are emerging at ESC (Kan et al., 2006). All member sites studied had shared values and a unifying vision - that ESC provides excellent services to the disadvantaged unemployed while each site also aims to improve their local community. In addition, site managers’ goals included empowering their site employees and encouraging participatory leadership. Thus the overall organizational culture of ESC and the micro leadership environment are developing in line with the suggestions given in Avery (2004), outlined in the previous section.

However, with respect to Head-Office leadership, the situation is more mixed. Head Office is clearly nurturing the unifying vision and shared values that emerged during our interviews - with their website, conferences, etc. However, there appears to be a need for them to move towards a more organic leadership form. This would mean issuing fewer directives, and placing more emphasis on cheerleading, integration and facilitation. Also, communication from sites to Head Office was limited, so encouraging extensive communication in both directions should be added to Head-Office’s leadership goals. Allowing the development of multiple leaders at the network level, as some of the site managers are already doing at the site level, is another approach that is likely to be consistent with the network organizational form.

**New Ways of Measuring Performance**

Currently the reward structures at ESC are complex and unclear, and do not encourage the member organizations to work as one organization. The performance of ESC as a whole is only measured by aggregating the performance of member sites and this measure is provided by the contracting government authority. No analysis of network performance, such as that conducted by Provan, Milward and Isett (2002), has been carried out. An alternative way of evaluating performance, suggested by Provan and Milward (2001), is to measure according to multi-level indicators, at the community, network and organization/participant levels in a network. This would broaden the basis for evaluation of a site by, for example, including input from its community and from the job seekers that it serves. The government authority might be persuaded to further adjust its reward structures to reflect these broader evaluation criteria.
Better Contractual Arrangements?

It seems easy to solve the resourcing problems within an organization like ESC – one would just need to give Head Office more direct control over many resources and decisions. That could be achieved by negotiating better contractual arrangements between Head Office and the member organizations. But the network is a de-centralized arrangement and moving very far down this path would be likely to destroy the network. In acknowledging the importance of structures, Huxham (2003) describes the difficulties of ‘making things happen’ in collaborations and that these networks are as much affected by structures and processes as by the participants. These structures and processes are not necessarily controlled by the participants; they may be imposed externally, for example, by a funding body, which is the case for ESC. ESC is in fact largely controlled by the government departments that administer its contracts. Thus there is another problem related to the ‘too much or not enough autonomy’ duality and that is between the network and the government body that provides its contracts.

The governance problems are probably the most difficult to solve. Further research is needed that examines the governance processes at the various levels: governmental/network/member organization/member site. There have been calls by other researchers for more studies that investigate multiple levels in such organizations (e.g. Brass, Galaskiewicz, Greve and Tsai, 2004). There has also been some research at various levels in network organizations, using social capital as the conceptual approach (Halpern, 2005; Onyx, 2000).

Coaching Psychology

The dualities related to conflicting values and the alienation of employees within networks would probably both benefit from an intervention such as coaching psychology. Coaching can be understood as a collaborative, solution-focused and systematic process aimed at enhancing performance, self-directed learning and well-being, and group coaching has been shown to enhance behavioral flexibility and facilitate goal attainment (Grant, 2003). Within the context of this paper, the overall aim of coaching would be to produce knowledge useful to the network and to develop specific strategies effective in helping the network and its member organizations achieve and maintain high performance in terms of organizational objectives, shared governance expectations and individual employees’ well-being.

Given that high performance in organisations is dependent on both effective governing rules and positive relations between individuals (Fredrickson & Losada, 2005), it is important that these changes be facilitated at both the systemic and individual level. The challenges of this kind of intervention are to maximise the probability that the resultant processes and performance strategies are felt to be owned and co-created by local members, whilst ensuring alignment and congruence with the broader network’s governance procedures and overall performance goals.

Coaching is a highly person-centred developmental methodology, and such methodologies have been proposed as an appropriate tool for understanding and enhancing the process of collaboration by researchers who study collaborative arrangements in the public and non-profit sectors (Eden & Huxham, 2006).

Creatively Manage Dualities

Lessons can be learned from research on other organizations coping with changing forms of organizing. Technology-driven change has resulted in analogous situations in which management was challenged by the existence of conflicting dualities within the same organization. A relevant study examined the adoption of new organizational practices and asked whether the new practices actually replaced the old practices or merely co-existed with them (Palmer, Dunford, Rura-Polley & Baker, 2001).
They found that the new organizational forms co-existed with and became incorporated into remolded traditional forms. For example, in relation to the duality ‘creative work/routine work’, film-production companies used remote collaboration technologies to achieve creative outcomes, but this form of creativity was incorporated into the traditional standard operating procedures as a new routine. In a similar way, the ‘mixed mode’ view depicts organizations as being composed of combinations of traditional (hierarchical) and new (market-based) practices (Holland & Lockett, 1997).

Palmer et al. (2001) argue that their findings suggest a third way in which organizations may deal with organizational change: by creatively managing dualities arising from traditional and new forms of organizing. The complexity of the environment in which non-profit networks operate may, in an analogous manner, require the co-existence of old and new practices and may therefore also benefit from creatively managing dualities arising from earlier and current forms of organizing.

**SUMMARY AND CONCLUSIONS**

In this paper we drew upon a case study conducted in a non-profit network (ESC), consisting of collaborating but autonomous organizations, which provides employment services for a government department on a contract basis. Based on our empirical study of ESC and a literature review, we proposed five dualities (related to governance, performance, values, employees, and leadership), that we feel are central to understanding the challenges to effective management of network organizations. We then examined five strategies that address these difficulties in order to achieve better management of non-profit networks. Research is needed in other non-profit networks as well as in private-sector network organizations to assess the generality of these dualities and strategies for improving performance.

**REFERENCES**


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