Business Orientated Resource Diversification in Smaller Social Service Nonprofits: Why some are adopting and others are not

by

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CERTIFICATE OF AUTHORSHIP/ ORIGINALITY

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature are indicated in the thesis.

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ABSTRACT

One of the current key challenges for nonprofit social service organisations is how to diversify resource mobilisation practices in order to build sustainable organisations that can innovatively achieve social mission. Two approaches to resource mobilisation that are promoted within Australia are social enterprise and partnering with business. Both of these approaches involve a re-orientation toward business, either in management practices or through an enduring relationship.

Despite an increased interest in business-focused resource mobilisation strategies there are few successful examples of social enterprise and partnering with business emerging across the nonprofit sector. There is also scant empirically based research to understand what it takes to adopt these practices, what the consequences of adoption might be and how governments, nonprofits and business stakeholders might support their emergence. This research aims to build an evidence base to provide greater understanding of these issues.

The thesis analyses data from fourteen organisational case studies of nonprofit social service organisations located across Australia. Seven of these organisations were selected because they had adopted an enterprising form of resource mobilisation and had been recognised for their achievements in this area. The other seven organisations matched these adopters in terms of mission, location, size and stage of organisational development, though had less diversified resource streams and had not attempted or successfully managed to develop a social enterprise or business partnership. Case-orientated research and qualitative comparative analysis was used in order to achieve causal complexity and a 'configurational' view of the cases (Ragin 1999).

The thesis details the conditions that are both necessary and sufficient for business-focused resource mobilisation .processes to be adopted. Organisational capacity and self-efficacy are critical conditions that open up resource innovation possibilities; there is a range of other sufficient conditions that work in combination with these. There are value and ideological challenges to be negotiated by nonprofit social service organisations as they are called upon, both internally and from without, to reinvent the means with which they achieving organisational sustainability. This tension creates the need for new thinking at the level of policy and practice – across all sectors - in order that these critical organisations that bear responsibility for the social good can successful organise within the contemporary context.

PART I BACKGROUND

CHAPTER 1 INTRODUCTION

1.1 The Research Problem

There is a growing expectation that nonprofit organisations providing social services should diversify their resources and find additional sources, beyond government grants, to help sustain themselves and creatively achieve their social mission. Many nonprofit organisations are pursuing a variety of approaches to mobilise the extra resources they need to better pursue their mission. These include adopting a variety of new or well-tried fundraising techniques, such as face-to-face marketing, sponsorship or bequest solicitation. They also include charging higher fees for some services or adopting business focused practices. Two prominent approaches to resource mobilisation, that fall within this later category, and are being encouraged within Australia and internationally are social enterprise and partnering with business. This thesis is interested in understanding the emergence of these two practices more fully. Both of these approaches involve a re-orientation toward business, either in management practices or through an enduring relationship. The adoption of business oriented resource practices by social service nonprofit organisations has been widely debated.

Before we summarise these debates it is worth noting that the thesis will utilise key terms such as: nonprofit organisation; social services; small and medium organisations; social enterprise; business partnership and business-like. Some

of these terms are elaborated further within the thesis, especially in Chapter 2, but for easy reference thumbnail definitions are provided in section 1.4 below.

On the affirmative side of the debate there been those arguing the value of social enterprise and business partnership by espousing the virtues of entrepreneurship and innovation. A major proposition is that resources harnessed from such practices are a means for social mission to be more creatively realised than government grants allow. It is also argued that such practices provide an opportunity for reduced government involvement and control of social services, and greater scope for the empowerment of marginalised citizens, for example through their involvement in social enterprises. Organisations obtaining independent resources are said to have the freedom to allocate funds flexibly and reclaim activities less favourable to conservative governments, such as advocacy.

In the instance of partnering with business, there has been a strong emphasis on the benefits that can accrue to nonprofit social service providers in forming coalitions with business, and the possibilities this opens up in generating social capital. The benefits proposed are wide-ranging, including access to financial resources that can be used flexibly, and availability of non-financial resources such as management support, volunteers and in-kind contributions. The virtues of business incorporating a social responsibility agenda have also been strongly argued. Partnering with nonprofits to support the advancement of social issues is promoted as being of strategic interest to business, and a means for business to express its citizenship.

On the negative side of the debate is criticism that the adoption of social enterprise and business partnership is being promoted because government has relinquished full responsibility for meeting its citizens' welfare needs, and is

instead encouraging nonprofits to develop entrepreneurial responses to social problems. There is also the argument that nonprofit organisations are not capable of meeting the social needs of their constituents, in addition to tackling new paradigms to mobilise resources for which they are not trained. The concern has also been expressed that many organisations are located in areas of low economic activity and are unable to develop business opportunities or partnerships. There has been apprehension that in becoming more business-like, the altruistic spirit found in nonprofits would slowly die and be replaced with a competitive business-driven culture. Business stakeholders joining the debate have expressed concern that their contribution to society is to generate profit and build a strong economy, and that it is a distraction from this task to be concerned with addressing social welfare needs.

At the time of initiating this research project the above arguments were being hotly debated, yet there was scant empirical evidence being collected on the topic. Paradoxically, despite the heightened focus on social enterprise and partnering with business, these practices were not being widely adopted by nonprofit organisations providing social services. There was also little diffusion of these practices into the characteristically smaller organisations that comprise a large proportion of the Australian nonprofit social services.

This raised the question as to why adoption was so scant. The need to better understand this question further crystallised as the author closely observed the contemporary resource mobilisation dilemmas being navigated by small nonprofit organisations providing social services. One particular case was a social development organisation that delivered a number of government funded programs. The author had managed one of these programs in a rural and regional area of Australia that provided early intervention services to youth at risk of - or in the early stages of - youth homelessness, and their families. The

service was unable to keep up with demand and had to turn referrals away. Even so, when the service contract came up for re-negotiation the funding department told the organisation that it wanted the service to continue, but that it's funding would be reduced by nearly 50 per cent. The key message was they had to find alternative options to sustain themselves. The organisation was encouraged to seek resources elsewhere and was specifically advised to consider looking to the business sector for support. Coincidentally, around this time the author had moved to the city and been offered employment working with the same department making these cuts. This provided an opportunity to identify the departments' motivation for this decision.

The government wanted new services to be opened in additional locations across the country and in order to achieve the target numbers the bureaucracy had to rationalise the available resources. The author witnessed her old colleagues struggle whilst they internally contemplated their deflated budget and had to respond to the high demand for their services. Local community members and professionals from other social service agencies governed the organisation predominantly. The committee members were very uncertain of options and means to diversify the resource base. They focused unsuccessfully on lobbying government for additional resources. They did not seek support from business - indeed they did not think it appropriate to seek such support.

The directions for this research emerged as a result of engaging in the debates outlined above, exploring the literature to see what evidence it provided on this topic and reflecting on the actual experiences of organisations mobilising resources to serve their missions. The primary research question is to understand why some nonprofit organisations providing social services are adopting social enterprises and/or business partnerships while many are not? A secondary question of interest is to consider the consequence of adopting

these practices. This chapter provides some background to the topic being explored in this thesis; it defines the key concepts and outlines how the thesis proceeds in answering these questions.

1.2 Resource Trends in Australian Nonprofit Social Services

Nonprofit organisations delivering social services are for the most part reliant on mobilising resources from third parties and have limited opportunities for raising finances directly. This is influenced by the fact that they serve a social mission where many of their products and services need to be offered well under the cost of their production and in many cases free. They are also unable to raise taxes to generate income as governments can.

Nonprofit organisations therefore rely on generating resources from members of the public through donations of time and money; from government through grants and payments for services 'purchased' by the government for specified clients; and from business in the form of grants and donations of goods and services. Each source of resources has it limitations, for example direct funding from the public is often not insufficient to enable an organisation to respond to all the requests for servicing they receive.

Inherent in the nature of nonprofit organisations is the challenge of mobilising resources. The first government examination of social service nonprofits was conducted by the Industry Commission in the mid 1990s (Industry Commission 1995) and identified the resource mobilisation difficulties organisations face. The pressure is clearly evident in the results of the *Australian Community Sector Survey 2005* conducted by the Australian Council of Social Services (ACOSS). The survey collects information on income and expenditure, service use and workforce issues of a large number of social service nonprofits.

The media release of the 2005 survey was titled "National survey of services under strain" and the key message in the report was that the single most important issue facing agencies is funding. This is in the context that sixty eight per cent of nonprofit organisations are unable to meet people's requests for services and nine per cent have to turn away people because they can not afford the fees. The complexity of clients serviced had increased from the previous year for sixty seven per cent of interviewees. In summary the demand for service has outstripped growth in expenditure by nearly nine per cent (8.9%) and income by nearly seven per cent (6.8%) (Australian Council of Social Services 2005).

Despite the ACOSS survey finding global increases in income generated, financial vibrancy appears to be eroding with fifty four per cent reporting income is not in balance with costs. Overall there was an increased deficit from the previous year, averaging $121,600 per agency in 2005. The income category with the largest percentage of growth, relative to the previous year, has been in client fee income (10.3%). The direction of this trend shows nonprofit organisations adopting a user pays approach and is some indication of the application of a business orientation to mobilising resources. However, government is still clearly the largest source of recurrent and additional funding, which allows for the provision of affordable social services to Australian citizens. On average, government funds account for fifty four per cent of the revenue of small and medium nonprofit organisations providing social services and forty four per cent in large organisations (Australian Bureau of Statistics 2001).

Currently in Australia social enterprises and business partnerships are quite limited in the income that they generate. The *Australian Community Sector*

Survey 2005 shows that in 2003-2004 just less than four per cent (3.8%) of income is generated from a social enterprise or business, and less than two per cent (1.9%) of income is sourced from business support. This is not a substantial increase from the one per cent of business support reported in 1990, in data collected from the Social Welfare Research Centre (Lyons 1993a). In fact, drawing on the ACOSS survey data, income generated from a social enterprise or business reduced by nearly three per cent (2.6%) from the previous year, suggesting a downward trend in the buoyancy of this form of income. When taken as a total percentage, incorporating changes in funding from other sources, there was still a decrease of 0.4 per cent. The key message is there isn't significant growth in this option as a resource mobilisation strategy.

There had been a very slight increase (1.4%) in business support as a funding source in nonprofit social services between 2002-2003 and 2003-2004. Though when people were asked to identify the most successful new way of generating income in the past twenty-four months, corporate sponsorship was only rated by two per cent of people. A significantly larger number of respondents rated government grants and programs (14%); fundraising events (8%) and donations (5%) as new income sources. A higher percentage of organisations (33%) did not have a new source of income to report.

As can be seen, social enterprise and business partnerships are not providing a significant source of income within the nonprofit Australian social services sector. There are two key possible reasons for this. Firstly, while they hold the potential to be sources of significant resources, it has not been the focus of nonprofit organisations to tap into these sources or it has been beyond their means to do so. Secondly, these resource methods are inappropriate for the sector and hold very little potential to yield significant resources. Irrespective of the explanation, there has been a growing momentum for nonprofit

organisations to cast their nets wider in the search for tools that can give them a leading edge in delivering their missions and sustaining themselves.

The ACOSS (2005) findings show only a small proportion of Australian nonprofit organisations are successful in diversifying their resources through business approaches, which suggests this topic needs careful consideration and reflection. Do the organisations and actors within them have the required competency to undertake these tasks? Does the dominant operating ideology within nonprofit organisations prevent them seeking such opportunities? Are business approaches compatible with the delivery of sustainable social service outputs and outcomes? For those adopting a social enterprise or business partnership, is the driver one of legitimising their position as leaders in the organisational field or practically responding to survival needs? How do these practices sit within the gamut of options nonprofit organisations have to mobilise resources? The next section outlines how this research project will proceed in generating empirical findings to inform questions such as these and directly answer the primary research question.

1.3 Thesis Parameters and Structure

This thesis reports the results of research designed to discover why it is that only some small and medium nonprofits have adopted one or other of these new business-orientated techniques, while most have not. It identifies a set of organisational characteristics and environmental circumstances that are sufficient to explain adoption of a social enterprise or business partnership. It also describes some of the difficulties experienced in successfully adopting such techniques.

The research collected data from fourteen small to medium sized nonprofit organisations providing social services. Seven of these had adopted a social enterprise and/or a business partnership. Each of these adopters was matched with a nonprofit organisation similar in size and services provided. Primary data was collected mainly by interview and questionnaire. In addition a number of secondary sources were obtained for analysis. Interviewees were asked to explain why their nonprofit had, or had not adopted one or other of the new techniques. Those that had adopted were also asked about the consequences of doing so. These accounts were then analysed using NVivo 2.0 software to identify conditions associated with adoption, some of which were also present in the accounts of non-adopters.

Charles Ragin's (1987, 1999, 2000) comparative method was then applied using the Quality Comparison Analysis software (Ragin et al, 2003) to identify which of these conditions were necessary and/or sufficient to explain adoption. Consequences associated with adoption are also described. The thesis concludes with suggestions for nonprofits wishing to embrace one or other of these techniques and for governments wishing to encourage and facilitate these developments and identifies areas for further research.

The thesis that follows contains fifteen chapters, ordered into three parts. Part I presents a background to the thesis, Part II the research results and Part III a summation. These first four chapters constitute Part I of the thesis, beginning with this introductory chapter. Chapter 2 then describes the context of the study in greater detail. Its focus is Australian, but as will be noted from time to time Australian conditions mirror those in many other countries, especially the developed common law democracies of the United States of America (USA), Canada and the United Kingdom (UK). It will discuss the place of nonprofit organisations that provide social services within the wider nonprofit sector and

the social services industry. Drawing on secondary sources, it will identify the challenges faced by social service nonprofits, especially those that are small-to-medium in size. It will summarise and analyse a quite extensive (and somewhat contradictory) international literature about social enterprise and business partnership approaches and describe the major claims of the Australian proponents and champions of these practices.

Chapter 3 will review a mostly international literature in a search for clues to answer the question as to why some nonprofits adopted one or other of these new techniques while others did not. This will involve reviewing research into nonprofit organisations as well as the more general organisational studies literature.

Chapter 4 will set out the methodology of this piece of research. It will explain why the almost complete absence of previous studies necessitated a case study methodology. It will briefly describe the organisations that comprise the fourteen case studies and the methods used to collect data from them. It describes the NVivo methodology used to analyse the interview and secondary data. It will then explain how the use of matched pairs of cases, combined with the comparative methodology of Charles Ragin, based on Boolean algebra, yields a more rigorous set of findings than simple case analysis alone.

Part II of the thesis reports the results. Chapter 5 provides an overview of the NVivo analysis of the interview transcripts, archival records and field notes that generated six variables that seemed to have a significant bearing in whether an organisation adopted, or not, one or other of the resource mobilisation methods under investigation. Each of these is allocated a chapter and discussed in more detail from Chapter 6 to Chapter 11. Relying mainly on the words of informants, each of these variables is described in some detail. Differences

between the views of adopters and non-adopters are noted. Some of these variables were predicted from the literature search, but others emerged in the course of the interviews. Occasions where the interview and other data confirm the literature are noted, as are occasions where the literature was found wanting. Chapter 12 then sets out the results of the comparative analysis while Chapter 13 outlines the consequences of adoption.

Part III of the thesis consist of two chapters and provides a summation of the thesis. In Chapter 14 the results are discussed and lessons drawn for nonprofit governors and managers and for government policy makers. Chapter 15 concludes the thesis with a discussion of the broader implications for research, reflecting upon the value of nonprofits adopting entrepreneurial practices against the realities of what it requires.

1.4 Key Research Terms and their Definitions

This section defines key terms that will mainly be used throughout the thesis.

1.4.1 *Nonprofit organisation*

Nonprofit organisations are central to this thesis. A nonprofit organisation is an organisation that is prohibited by its constitution or rules from distributing a profit or surplus to members or others. Thus they have a non-distribution constraint (Hansmann 1987) where any surpluses are not distributed to proprietors or shareholders but used for future services, improving service quality or returned to the source, in the case of government funds. Generally this prohibition encompasses any annual surplus along with surplus assets on winding up. Annual surpluses must be reinvested in the organisation, and surplus assets must go to a similar nonprofit. This prohibition gives these

organisations different behavioural characteristics to investor-owned organisations (Hansmann 1980). Nonprofit organisations are assumed to be private and independent government controlling its governance and assets.

Many nonprofit organisations are formed and sustained by groups of members and exist primarily to serve these members; for example, sport and hobby clubs, trade unions or business associations. Other nonprofit organisations are formed to provide services or advance a cause on behalf of others. These are sometimes referred to as public serving nonprofits. Many of these meet the formal requirements to be recognised as a charity (that is they assist the poor, or advance the cause of education or religion or provide some other public benefit).

Some nonprofit organisations are 'owned' by another nonprofit, such as a church or religious order, which appoints their board. Many nonprofit organisations are incorporated, which means that they have a separate legal identity. For organisations to receive government grants or obtain insurance cover they must be incorporated; many others however are not.

A variety of other terms are used to describe nonprofit organisations. In Australia the term not-for-profit is sometimes used. The term non-government-organisation (NGO) is also used in some fields, although government sometimes use the term to encompass nonprofit *and* for-profit organisations. The terms community organisation and community sector are used to cover nonprofits providing social services (known also in Australia as community services) and some other smaller nonprofits providing health and other human services. The term charity is often used loosely to describe some nonprofits providing social and some health services, mostly those organisations that seek to raise funds by wide public appeals. Sometimes in Australia, but most

commonly in Canada and the UK, the term voluntary organisation and voluntary sector is used to encompass most nonprofit organisations. The term charity is also commonly used in those countries and the usage corresponds to its legal meaning and is broader than its popular use in Australia. Nonetheless it is not as wide in its coverage as is the term voluntary sector.

The term nonprofit organisation is most commonly used in USA, but sometimes is applied only to charities that fall with the 501c3 section of the USA tax code. The term civil society organisation is sometimes used interchangeably with nonprofit organisation (see Salamon et al. 1999) although it is not used in Australia. The term third sector is also used, especially in academic circles where it is sometimes synonymous with nonprofit organisations, but more usually encompasses co-operatives and other mutual organisations that are not restricted from distributing a profit (Lyons 2001). That wider use of third sector is similar to the meaning of social economy widely used in countries of the European Union.

1.4.2 *Social Services*

The social services are services of a helping, caring, supporting kind provided to individuals or families in need of such service. The social services are largely commensurate with what in their more common international nomenclature. The term encompasses a great variety of services including: children's services and child welfare; youth work and youth welfare; services for people with disabilities or older people; general counselling for individuals or families; and support and counselling for people in crisis such as escaping domestic violence or abuse. It also includes emergency relief and assistance and temporary accommodation, including during disasters and emergencies. Some social

services are provided in specialised accommodation, but also in peoples' homes, in the street and other informal settings.

It is not a well defined field or industry and there is overlap with health and with the education and training industries (Salamon & Anheier 1996; Australian Bureau of Statistics 2001; Lyons 2001). In Australia a majority of social services are provided by nonprofit organisations.

1.4.3 *Small and Medium Organisations*

As is the case with for-profit organisations, the great majority of nonprofits are small, some are medium sized and a few are large. Most attention in the literature on social enterprises and business partnerships are focused on large organisations. This thesis will focus on small and medium sized nonprofits. It uses the conventional Australian Bureau of Statistics (ABS) definition (2001), which defines small organisations as those comprising less than twenty paid staff, medium comprising between twenty and ninety-nine paid staff, and large as one hundred or more staff.

1.4.3 *Social Enterprise*

The term social enterprise is used widely and loosely, some suggesting it is a new term for older concepts. Sheltered workshops, now referred to as business services, would appear to also qualify as social enterprises. Generally social enterprise refers to a nonprofit organisation that responds to social need in an entrepreneurial and business-like way. Social enterprises will generally be found in the social services and health fields. Many mutual organisations such as housing cooperatives, building societies or credit unions, are also forms of social enterprise.

A social enterprise seeks to achieve its purpose by using market mechanisms, through trading rather than through grants or contracts from third parties. One category of social enterprise relates to beginning a new organisation, though more often social enterprises can be categorised as the result of a dramatic transformation of an existing social service nonprofit. The latter example applies to this thesis. For those social enterprises transforming the way an existing organisation works they can be structured as a branch or subsidiary attached to the parent organisation that is adopted to: pursue the mission of the organisation in a more creative, enterprising and self-sufficient way; or run as quite remote from the mission of the organisation and mainly designed to generate surpluses to apply elsewhere in the organisation. The social enterprises included in this thesis are means to mobilise resources, but in a manner that is integral to advancing the organisation's mission. A more through definition is provided in section 2.3.2

1.4.4 *Business Partnerships*

A business partnership is an enduring relationship between a nonprofit organisation and a for-profit enterprise, whereby both parties gain from the relationship. The nonprofit organisation generally gains some financial support but also goods and services and business expertise. In turn the business gains knowledge of aspects of their society of which they were generally ignorant, an enhanced reputation within the community and is more likely to become an employer that can easily attract and retain quality staff (Austin, 2000a; Lyons, 1998a). A more thorough definition is provided in section 2.4.2.

1.4.5 *Business-like*

The thesis will discuss the common perception that organisations implementing social enterprises or business partnership have adopted a business-like orientation. The term business-like refers to being market and innovation driven. It relates to seeking new opportunities to generate revenue and invest in management and staff capacity, information systems and organisational sustainability. A business-like approach is one that treats clients as valued customers, and seeks to be responsive to their needs whilst operating within an overall cost control framework.

1.5 Research Limitations

The research draws on the evidence of fourteen Australian nonprofit organisations. These were selected to represent a wide range of small to medium sized nonprofits providing social services. Due to the limited development in the literature relating to the topic, the research was designed to generate hypotheses on the topic rather than test predetermined hypotheses. As such it has limited application to total population of nonprofit organisations, though the analysis of data derived from the interviews revealed recurring themes which, when analysed by the comparative method, produced robust conclusions. Nonetheless, the number of cases is small and a larger number of cases may produce different results. The results may also differ if larger organisations were included. The question also remains whether similar results are likely to be found in other countries. One would hypothesise that this would be likely, especially in the developed common law democracies. The limitations are discussed in more detail in the concluding chapter in conjunction with suggestions for further research to address these limitations.

This next chapter explores the Australian context for this research, which together with the literature presented in Chapter 3, builds the framework for the research questions and methodology taken.

CHAPTER 2 THE CONTEXT

2.1 Overview

This chapter profiles the Australian nonprofit social services using Australian Bureau of Statistics (ABS) as the main data source. It tracks the changing nature of government funding over time, and then reflects on the trend toward organisations diversifying their resource base by adopting entrepreneurial approaches, and discusses how this might sit within the ideological frameworks found in many nonprofit social services. The last two sections focus on social enterprise and business partnership; they define the concept, identify the position of these practices in Australia, and outline the proposed benefits and risks associated with their adoption.

2.2 Nonprofit Social Service Organisations in Australia

The focus of this thesis is those nonprofit organisations that provide social services. From the cradle to the grave, people in Australia are touched by social services in some way. Data from the ABS (2001) provides a portrait of nonprofit organisations within the community services industry from which the fourteen for this study are drawn. The ABS conducted surveys of the community services industry in 1995-1996 and in 1999-2000. Because of the diversity of activities included in the community services industry, the ABS breaks the industry into several classes. These are 'children's services', 'aged accommodation', 'other residential care' and 'other non-residential care'. Non-residential care constitutes by far the largest component of the industry, accounting for forty seven per cent of industry turnover in 1999-2000. It is

within this industry class that the 14 organisations that are the subject of this study are located.

Government and for-profit providers can be found in the community services industry as well as nonprofits, though to only a limited extent in the 'other non-residential care' class. Overall, in 1999-2000, the nonprofit sector contributed sixty per cent of the $7.086 billion in direct organisational expenditure, on the provision of community services by all three sectors (government, business, nonprofit). [1]

As in most industries small organisations are the most numerous but a few large organisations account for most of the income and employment. At the end of June 2000, there were 2,452 nonprofit organisations in the 'other non-residential care' class of the community services industry. Of these, 181 employed more than 100 staff, 381 employed between 20 and 99 staff, while 1,890 employed less than 20. In total, nonprofit organisations in this class employed just fewer than 79,000 staff. The great bulk of these (63%) were employed in the large nonprofit organisations. Small nonprofits employed only fourteen per cent of employees and those of medium size employed twenty three per cent (Australian Bureau of Statistics 2001). Nine of the fourteen organisations in this study are small, employing less than twenty people. The remaining five organisations are medium sized, although at the smaller end, the largest employing thirty-one people.

Nonprofit organisations in the 'other non-residential care' class draw their income from many sources. The ABS survey identified the single most important source as government, which accounted for forty-seven per cent of

[1]Derived from ABS 2001 Table2.2 adjusted to remove nursing home figures (intensive residential care), which is generally counted as health expenditure.

total income of just under $3 billion. The next most important source was fundraising, which contributed a further twenty seven per cent; followed by fees charged for services, which contributed eleven per cent. Enterprise related income from opportunity shops and other merchandise sales totalled eight per cent (7.5%). However, there were some important differences between organisations of different sizes. For small organisations, income from government programs contributed fifty-three per cent of income and for medium organisations fifty-four per cent, compared with only forty-four per cent of the income of large organisations. Income for fees and charges contributed twelve per cent for small but only seven per cent for medium sized organisations (and 11% for large). Unfortunately, the ABS does not report fundraising income by organisational size, but it is likely to constitute a greater portion of the revenue of large organisations and explain why they are less dependent on government income than small and medium nonprofits in this industry group.

In 1995 the Industry Commission tabled a report titled *Charitable Organisations in Australia* - the title is misleading because the report focused on social service nonprofit organisations, which are only a relatively small set of organisations that are legally defined as charities. Nonetheless, the Industry Commission report found the fifty largest 'charities' each had a total annual income in excess of $11 million in 1993-1994. Large organisations were found to be less reliant on government funding for their survival relative to smaller organisations and more likely to expand their resource base through profit making businesses and investment income. Government funding however was found to also be their major source of income.

In the late 1990's, Brown et al (2000) surveyed a sample of what they called voluntary welfare organisations. These were nonprofits providing social

services, but also related services such as community health, community education and community development. The sample was not fully representative of the population of organisations and therefore there are some limitations with the broader application of the data. However, their research helps build a picture of social service nonprofits. For example, they are mostly quite young; the median age of organisations in their sample was fourteen years. The ratio of unpaid hours worked to paid hours worked was constant across the sample at an average of two to one; and women workers outnumber men by a factor of five to one in paid positions and three to one in unpaid.

Government funds are a principal source of revenue for social service organisations. There is some variation between the states with New South Wales (NSW), Tasmania (TAS) and Western Australia (WA) governments providing sixty four per cent of nonprofits funding. South Australia (SA), Queensland (QLD) and Victoria (VIC) governments provided fifty to fifty four per cent of funding (Australian Bureau of Statistics 2001). Service provision organisations (example refuges, counselling and crisis support) tend to have high levels of dependency on government funding, while mutual-aid organisations (example self-help, political action and welfare rights) tend to have low levels of dependence. Brown et al (2000) found sixty seven per cent of all organisations were providing free or mostly free services.

Though the survey methodology was limited in its robustness, the above characteristics equate well with the general situation of Australian nonprofit social services as identified in other data sources. The ABS statistics (2001), the Industry Commission report (1995) and Brown et al survey (2000) all highlight the importance of government funding to nonprofit social service organisations. The next section takes a look at some key references that highlight the

developments in government funding for social services and how this contextualises the potential uptake of social enterprise or business partnership.

2.2.1 *Transitions in Government Funding Over Time*

There has been a high degree of involvement by government in the work of nonprofits since the early days of Australia's colonisation. As pointed out by Brown et al (2000), the "major historical peculiarity of Australia as a nation state was that the existence of the state preceded the creation of a civil society" (p.21). Strong government involvement in the social services has shaped the resource mobilisation approaches that nonprofit organisations use, and possibly influenced the limited development of business-oriented approaches within them. Lyons (1990) mapped the changing relations between government and nonprofits over the history of the colonisation, identifying a number of key shifts in the subsidisation of social services.

Beginning in the 1800's, governments subsidised nonprofit social services and then progressed a century later to directly controlling and removing nonprofit independence in particular areas. Despite the changing levels of dependence upon government, nonprofits have been the keystone in building the social services sector in Australia. What has also remained constant is that throughout the colonisation process, government has been a provider of revenue, though the nature of that provision has shifted.

Lyons (1995) presents a model outlining five stages of government funding relating to the social services and though there is variance in the unfolding of these stages, the pattern of development is similar between the different types of social services. The first model describes government as "philanthropist",

providing resources with very little requirement placed on organisations in return, other than addressing the social needs the funds were provided for.

The second stage is a "submission model" where government specifies the broad area of interest to be targeted but allows flexibility for nonprofit social organisations to respond locally. The administrative demands on organisations are particularly low in this type of model.

The third stage is a "planning model" where government identifies need, with the inclusion of some consultation with the sector, and funds directly in response to this need. This arrangement requires more demanding reporting requirements.

The fourth stage is the "competitive tender model" where government determines the specifics of who should be targeted and the relative need. Applications are then invited through a competitive tender process.

The fifth stage, which emerges simultaneously with the fourth, is the "quasi-voucher model" where the funding goes directly to the consumers who can then purchase their required services.

The changing relationship between government and nonprofit organisations delivering community-based social services in Australia was also explored in a special issue of the *Third Sector Review* (Lyons et al. 1997) titled *Contracting for Care*. While there were significant differences between state and territory jurisdictions, overall the orientation of government allocation of funds was favouring a quasi-market approach aligned with the competitive tender model. The reported weakness of this approach is that resource allocation processes

were found to lack internal logic, fairness and transparency, resulting in social service organisations becoming confused and cynical.

The status of some activities, such as community development, lowered with the advent of a market focus whereas it had flourished with a philanthropist or submission model. These community-building activities are not highly valued in a competitive tender model context, as it is hard to define preset outcomes and prescribe measurable performance indicators. The greater restriction upon receiving funds for community development could feasibly be a driver for organisations to adopt a social enterprise or business partnership.

The *Third Sector Review* discussions on contracting showed that arrangements not only vary in jurisdictions across the country but in the various fields within the community services industry. Most Australian nonprofit social service arrangements where found to fit within the planning model, while increasingly leaning toward the competitive tender model. The quasi-voucher model is less developed in Australia though there is some evidence of its growth in areas such as aged care and relationship counselling. These nonprofit resource arrangements have been influenced by shifts in the relative involvement of federal versus state and territory level government in funding social services.

From 1946 to the 1960's governments, particularly federal increased the generosity of funds available to nonprofit organisations. There was prolific growth in the formation of organisations that care for people with disabilities; these were started mostly in the 1950's by parents of children with disabilities. The 1960's saw a large increase in aged care provision, while the early 1970's saw a matching growth in nonprofits that sought to provide a mixture of services in the community or in peoples' own homes - members of the community managed many of these. Often they were started as the result of

community development efforts by public servants and government funding for their activities were guaranteed (Lyons 2001).

Funding from government for social services tripled in the decade from 1977 to 1987 (Lyons 1990). As a result many nonprofit organisations saw themselves as partners with government in caring for the disadvantaged in their particular community. Despite nonprofits' close association with government, many of the organisations had very different governance arrangements, using small, locally based, community participation structures. This was in contrast to the larger charities that tended to run on a more traditional bureaucratic model. Lyons' (1997a) assessment of the quality of relations between government and nonprofits showed the level of trust diverged significantly in different jurisdictions: ranging from "cooperation tinged with suspicion in states such as South Australia, to downright hostility in Victoria" (p.207).

Associated with the increase in funding levels was a handover of control for the delivery of key social services. In the 1950's and 60's, governments offered funding to nonprofit organisations to help expand the services they were already providing. In some cases, such as parts of aged care, the government simply refunded whatever the organisations spent; mostly though, grants were negotiated in advance. Then in the 1970's, with a huge expansion of government funding, governments began to ask nonprofits to submit applications for funding. There were a number of mechanisms being introduced to make government more accountable and transparent in their funding choices that were passed on to service providers. Gradually governments imposed greater restrictions on these grants, limiting them to areas in greatest need of particular service (Lyons 1997b).

Governments began a big change in the way they decided where services were to go and who was to be funded to supply them in response to increasing scrutiny of public expenditure. Following this was the infiltration of business management models into government that promoted the efficient, effective and appropriate use of resources. The move involved transitioning from a planning model, to eventually a competitive market model (Lyons 1997b). This increased the competitiveness among social services for available funding. In 1995 federal and state and territory governments signed three intergovernmental agreements, which formed the basis of a national competition policy (Paddon & Small 1999).

Introducing competitive tendering in social services aimed to improve distribution and the economic efficiency and performance of resources. While the changes did enhance accountability and transparency of government decision-making in allocation of funds, the appropriateness of competition policy for the social services was heavily questioned, leading to the establishment of a formal parliamentary inquiry into competitive tendering of welfare service delivery (Australia Parliament House of Representatives Standing Committee of Family and Community Affairs, 1997). Submissions and testimonies from the social services sector, from small grassroots organisations to national charities, were uniformly negative, with a common view that competitive policy had deleterious effects that needed serious attention. These were well summarised by Ann Nevile (1999) as comprising the following themes:

- reduced collaboration and reduced specialisation within the sector;
- loss of small agencies, leading to a reduction of consumer choice and a tightening of eligibility requirements that reduce service options;
- more complex financial, legal and administrative requirements and costs; coinciding with a decrease in resources available for direct servicing;

- lack of transparency regarding the true costs of agreed standards of service;
- loss of autonomy with government exerting control over providers through specifying project outputs and stifling advocacy functions; and
- lack of incentive for innovation due to government owning intellectual rights.

This shift to a competitive model has often been misnamed a 'contracting out' phase, which in its purest form is where government enters in to a contract arrangement with a third party to deliver the services it previously provided. Contracting out under this definition hasn't occurred extensively in Australia, as many social services have never previously been delivered by government and therefore haven't been handed over to the nonprofit sector. Indeed many government-designed and controlled services have been assessed as better able to be delivered by the nonprofit sector from their inception.

Lyons (1997b) points out that in practice, "the term 'contracting' sensibly refers only to the manner by which governments provide funds to nonprofits or community organisations to provide services" (p.7). It shows a trend towards governments 'steering rather than rowing', and of prescribing what is to be purchased before seeking funding applications. Service agreements used in the contracting process schedule exactly what is being purchased. Through such arrangements the majority of responsibility is placed on the nonprofit organisation and yet the power and authority maintained by government. As argued by O'Neill (1997) it is not in the interests of governments to change this situation and they are therefore reluctant to replace service agreements with legally binding contracts that balance the power and control.

Some authors (Alford & O'Neill 1994) suggest the purchaser-provider split has ended up with the contract state in which service agreements are the *modus operandi* and there is a focus on outputs, being businesslike, using a managerial approach to management, engaging in competitive behaviour and professionalism and marketisation. These conditions could be seen as providing the basic ingredients for creating an enterprising culture. However there can be a disjunct between an organisational ethos of enterprise and innovation, and one of efficient acquisition and utilisation of resources for government-defined results (Brown et al. 2000). The capacity to venture beyond government grants seems inhibited by government demands for value for money in service provision, with no investment in research and development, management costs, or learning and development to facilitate innovation. The full requirements of operating a high performing organisation, including meeting on-costs and overheads, are not fully realised or accommodated in government funding and this creates an impetus for organisations to diversify their resource base.

Throughout the different transitions in government and nonprofit relations, from 1946 to today, there has been significant subsidisation of nonprofit social service organisations though never full replacement of costs required to deliver services to the community. The Industry Commission Inquiry (1995) found that whilst government provides recurrent funding for social services, on average the funding fails to account for the full costs of achieving service outputs for nonprofit services. In some social services such as youth work, family support and child welfare, government funding has been too low to encourage for-profit organisations to enter the market, despite the invitation for them to enter into the competitive tender processes. The changing nature of government funding as described in this section has created a context for greater resource diversification.

2.2.2 *Readiness for Resource Diversification*

Resources can take be divided into fiscal and non-fiscal categories. Sources of fiscal resources include government grants, earning income from enterprises, recovering the costs of programs from users, business partnerships, philanthropy, fundraising, donations, endowments and building reserves that attract interest. Non-fiscal resources can be generated from volunteerism, working in partnership with stakeholders and non-monetary in-kind assistance. Resources can also be tangible, such as money; or intangible, such as the specialised skills, status, time, commitment, and access to networks provided by people (Holloway 2001). Social enterprise and business partnership potentially offer a source of both fiscal and non-fiscal and tangible and non-tangible resource acquisition.

Previously unexplored resource options such as business partnerships and social enterprise have increased in profile as the nature of government funding has changed toward stronger competition, professionalism and business models of operation. However adoption of these practices has not proliferated and key government and nonprofit peak organisations offer very limited tangible support to develop and maintain these practices in nonprofit organisations. While some larger organisations have adopted more sophisticated business-orientated approaches to diversify their resource base, a far greater number of smaller organisations have not adopted and many have spoken out against such directions.

Brown et al's (2000) research undertaken in the late 1990's contains results that can help explain why business partnership and social enterprises have not proliferated. Based on responses by their informants, Brown et al found that

organisations in their sample had adopted one of a total of four operating frameworks, and each framework was distinguished by set values, assumptions and principles. The frameworks are the activist, charity, welfare state industry, and market frameworks. Brown et al found that the first three frameworks are the most established in Australia. Looking at the outline below, particularly the activist and welfare state industry frameworks, one can identify an orientation that is counter to business and therefore likely to be at odds with nonprofits adopting a business-like orientation.

The activist framework is the most dominant (42%) in Australia comprising a segment larger than the other three operating frameworks. It places the idea of community and solidarity at the centre of its activities where strong citizen participation and mutuality are strongly valued. These organisations tend to favour mobilising resources from government via submissions where communities generate the identification of priority needs. The charity framework (13%) is a more formal arrangement where mission based charity organisations serve as patrons and protectors of individuals in need. Some charities, though still highly reliant on government funding are more likely to be found mobilising resources using business practices.

The welfare state framework (10%) is highly conditional. Government provide revenue and set the service conditions and parameters between the state, individual and community. The bureaucracy identifies what social needs will be addressed and prescribes how they will be serviced. This can result in inflexibility and an inhibition of creativity and self-determination.

The market framework is less established in Australia but expanding. Brown et al (2000) found that fourteen per cent of nonprofit organisations operate according to the belief that the capitalist market can more effectively and

efficiently mediate the relationship between the individual and the community. The development of new forms of managerialism in a market framework can breed an enterprise culture and an ethos concerned with acquiring resources, results and efficiency. This orientation is argued by Brown et al to result in greater innovation and creativity and translate into opportunities through risk-taking, readily meeting change and stretching previously defined boundaries.

Brown et al's (2000) research suggest that despite the context shifting toward higher levels of marketisation and professionalisation, nonprofit social services are underpinned by a strong activist operating framework that is not likely to be aligned with the elements required in adopting business oriented practices. It appears many organisations are likely to have held the ideological view that social services are not commodities able to be marketed.

Thus the application of business principles to social issues could be seen as comprising a clash of values and worldviews that are not easily combined. This clashing of values is often played out in the Australian pre-budget submission where it becomes evident how diametrically opposed social service nonprofits and business can be. Nonprofits, on their own or usually through peak bodies such as ACOSS, invariably propose additional social expenditure targeted on groups that are severely disadvantaged; while business groups argue for tax cuts and reduced social expenditure[2].

If nonprofit organisations are sceptical about business processes, this is likely to limit the potential for nonprofits working together with businesses or using business thinking to generate resources for their own sustainability. At the root of such scepticism might be the different worldview of nonprofits and for-

[2] Information provided by Professor Mark Lyons, who was Executive Director of ACOSS 1986-89 and subsequently a Director for six years.

profits and how each views the concept of profit. By definition the work of a *non*profit agency does not seek a profit, and the profit motive is understood as taking resources for private gain rather than collective use. In contrast profit for a business, which exists to make a profit is considered positively, a product of hard working, talented staff and indicating a healthy state of affairs.

Integrating seemingly opposing orientations is the hallmark of social entrepreneurs who are reported to think differently and creatively in managing the potential risks in mixing mission and money. Healy (2001) captured the views of one social entrepreneur who suggested "for us to try and engage [businesspeople] while we approach them with a very deep sense of distrust of their motivation and an assumption that they don't share a lot of our human values, is, I think, most unhelpful" (p.16). Negative attitudes have the power to thwart any successful entrepreneurship efforts and strong reactions that divide are antithetical to the coalition building spirit often espoused in the work of nonprofits.

In a context that may be constructing business negatively, it is less likely that the seeds to grow business-like practices would be nourished. Adopting a social enterprise or business partnership is perhaps more likely in an organisation that has greater level of understanding and positive experience with the use of business approaches. This could include having businesspeople on the board or people with those skills or experience, as employees or volunteers. It appears that many small and medium nonprofits in Australia at this time are without the requisite skills, contacts and attitudes to diversify their resource base to address social problems.

The literature certainly presents the adoption of business-focused practices as requiring a quantum leap for most Australian nonprofits (Goerke 2003). The

leap is perhaps at the level of perception, values and ideology as much as at the level of skill development. Looking comparatively at other countries the evidence suggests the leap is much larger than required in other contexts. For instance the situation is different in the United States of America (USA) where there are more developed relationships between businesses and the nonprofit sector (Austin 2000a) and thus a stronger infiltration of business-focused practices. Business-focused practices are also more developed in the UK than Australia, assisted by strong government investments in social enterprise development, though the UK nonprofit sector is still highly reliant on government funding. Scandanavian countries have a strong tradition of entrepreneurial nonprofits in the form of cooperative and mutuals to draw on in developing newer forms of social enterprise (Olsson 1994). This is absent from Australia. Although Australia once had an equally strong cooperative and mutual sector, most of these were converted to for-profit firms (demutualised) or collapsed in the 1990s (Lyons, 2001).

In summary, the organisations operating in the Australia social services have a range of operating frameworks and ideological and attitudinal orientations that might constrain or predispose an organisation to adopt a social enterprise and/or business partnership. This might influence whether an organisation focuses on the potential benefits of these practices or more cautiously focuses on the risks. The next section clarifies the dimensions of social enterprise and business partnership and the case for and against each.

2.3 Social Enterprise

2.3.1 *Introduction*

Social enterprise has had a growing profile internationally over the past decade with interest peaking in Australia at the turn of the millennium. Whilst social enterprise might have a short Australian history as a well-defined concept, as a practice it has a lengthy one, albeit even though it is within a small proportion of nonprofit social service organisations. The growing focus on social enterprise is suggested to be a response by nonprofit organisations to the changing circumstances in their financial environment as they are "both pushed and pulled by far reaching changes in [the] funding, infrastructure and support environment" (Pharoah, Scott & Fischer, 2004, p.55).

In Australia one of the drivers pulling toward an interest in social enterprise as a key to building community capacity, has been the welfare reform agenda. In their final report to government, the Reference Group on Welfare Reform noted "social enterprises offer enormous scope for addressing complex social needs in effective and integrated ways and in particular, in regenerating communities" (2000, p.50). Inspiration for the possibilities for social enterprise was derived from overseas, drawing on the work of the Community Action Network (CAN) in the UK and the Ashoka Foundation in the USA. This encouraged the establishment of an Australian Social Entrepreneurs Network (SEN).

There are distinctly different lenses through which social enterprise in an organisational context can be viewed. One is where social enterprise is in the context of establishing *new* organisations that are enterprise directed though socially driven; another is in regards to the transformation of *existing* nonprofit organisations through the integration of a social enterprise into the

organisational structure. In the latter example, a social enterprise provides new and creative ways to seek funds from, and for, the organisation's activities and services, it also provides constituents with new opportunities and social outcomes. This research is focused on the transformation of existing organisations both in terms of seeking greater resource sustainability and more creative achievement of mission.

The Smith Family is a good example of where social enterprise equates with organisational transformation. Despite engaging in enterprise related activity for some time the Smith Family only more recently started to consolidate its identity referring to itself as a national social enterprise. Simon (2000), the national manager of the organisation's research and advocacy team, suggested part of this new identity was to align the organisation with the present social-economic environment and become a:

> new type of organisation that has the skills and competencies to innovate effectively in addressing problems of disadvantage and bringing about societal change. Our agenda for societal change is guided by a set of values that incorporate the business principles of transparent accountability and a focus on measurable outcomes. In addition, we seek out opportunities to work with all those who share a similar vision and are prepared to tackle societal challenges with innovative responses to change, shared risk management, and resolve for the long-term (p.1).

From this we can see that a strong part of becoming socially enterprising is not just renewing ones way of grappling with social issues but also the manner in which an organisation operates. In Australia, as elsewhere, attention is on promoting social enterprise as revolutionising the delivery of social services by shifting from short-term social assistance to new ways of working that re-invent community and provide lasting change. For example rather than deliver short-

term employment assistance programs to long-term unemployed people living in public housing estates - that often place unskilled workers into misfitting employment opportunities - social enterprises are positioned as circuit breakers. An approach, observed by the author that has been trialled to reduce unemployment has been to establish locally run social enterprises in housing estates that pay fair and decent wages and add value to the community (Bullen et al 1997).

Alternatively there are commercialised arms of nonprofit social services that provide needed revenue but also services to the community that create lasting change and mission accomplishment. One example from this research is a social enterprise that creates socially focused education media products that generate significant revenue and offer opportunities to skill the constituents of the organisation. A second example is an organisation that generates revenue by offering commercial consultancy services to design buildings so they are more accessible to people with a disability, this aligns with the organisation's mission. Despite Australia having social enterprises that are more or less commercially focused, they appear to have the overriding goal of primarily being created to assist an organisation in achieving its social and financial goals.

The reporting on social enterprise here firstly distinguishes the divergent typologies that exist within the topic; it then places the practice within the Australian context followed by reporting the major claims and cautions, for and against the practice. Exploring the claims and criticisms for social enterprise helps establish potential reasons why people may or may not be adopting and the possible consequences of this. An aim of this research is to understand the conditions influencing why organisations are adopting social enterprise, specifically existing organisations interested in transforming their way of operating and diversifying their resource base. There are different points of

departure one can take in discussing social enterprise, as there is no universally accepted definition. This next section looks at what definitions are available and clarifies those most relevant to this research.

2.3.2 *Social Enterprise Definitions*

Arriving at a definition of social enterprise firstly requires distinguishing between social entrepreneurship and social enterprise. The former concerns the actual behaviour and skills used to create value through innovation. Social enterprise is characterised by the specific enterprise activities used to generate revenue in order to create social and economic value. Whilst nonprofits are generally confident in their roles in creating social value, the challenge comes in bringing business approaches to generate both social and economic value resulting in what Alter (2004) refers to as total value creation. Alter goes on to add that value creation is the backbone of social enterprise and serves as a fundamental and unifying principle between different social change and economic development approaches.

Thus social enterprises are distinguished by their dual value creation characteristics and their use of business tools and approaches for social ends. They may be mission centric, mission related, or unrelated to mission, depending on how much the enterprise activities are integrated with social programs. In terms of organisation structure, they may be structured internally, as a separate entity or structured as the same entity.

So what definitions do we have that are specific to social enterprise and are useful for this thesis? There are a number of different definitions offered from different parts of the world though most are aligned in their emphasis that social enterprises are adopted to advance social causes through the use of

business means. Bullen et al (1997) found there was no agreed language for discussing social enterprises in Australia and that people use a range of additional labels such as community enterprise, community business, nonprofit enterprise and nonprofit business.

In an attempt to bring some cohesion to the topic, Adelaide City Mission (an Australia charity engaged in social enterprise) produced a handbook on *Social Enterprise in Australia* (Talbot, Tregilgas & Harrison 2002) that defines social enterprise as:

> A means by which people come together and use market based ventures, to achieve agreed social ends. It is characterised by creativity, entrepreneurship, and a focus on community rather than individual profit. It is a creative endeavour that results in social, financial, service, educational, employment, or other community benefits (p.2).

The above definition is useful for this research, if the venture was developed within an existing government funded nonprofit organisation, rather than as a stand-alone new venture. It frames adoption of a social enterprise as driven by social goals, but reliant on business practice to achieve these goals.

The UK government offers a similar definition of social enterprise also emphasising the social objective as the primary driver and placing profit generation a means to an end, not an end in itself. The Department of Trade and Industry in the UK specifically defines social enterprise as follows:

> A social enterprise is a businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners" (2002, p.7).

The above definition highlights the importance of the business aspects of social enterprise. It is of interest to this research to explore to what extent smaller nonprofit organisations have business development capacity at levels required to successfully adopt a social enterprise.

In the USA, the Social Enterprise Alliance emphasises the nonprofit organisational context and the use of enterprise to diversify an organisation's resource base and gain sustainability beyond government grants. The emphasis on organisational sustainability is aligned with this thesis, as we are interested in exploring to what extent adoption is driven by organisational sustainability whilst combining an interest in social innovation.

Alter (2004) presents another way of conceptualising the social and economic value dimensions of social enterprise by using a program strategy versus financing mechanism continuum. In relation to social enterprise being a financial mechanism, Scotchmer and Van Benschoten (1999) outlined the types of enterprises whereby nonprofits can create revenue. These were:

- program-related products and services;
- sale of staff and/or client resources;
- sale or lease of hard and soft property, such as buildings and trademarks;
- ownership of a business; franchise based enterprise; and
- cooperatives and market-based investments.

Scotchmer and Van Benschoten suggested that there are three models that can be used to analyse a nonprofit's revenue generating activity:

- how closely it supports the mission;
- how sheltered the activity is in the open market; and
- how well the goods or services sell in the market.

In relation to the program strategy end of the continuum, other conceptualisation of social enterprise emphasise entrepreneurial and innovative programs responding to emerging social needs. An example would involve a business run by a nonprofit organisation, which at best covers operating costs but provides direct social value; such as training and or employment for people with major barriers to entering the workforce. It could also include enterprises generating innovative social products or community development projects that enhance the program impacts of the organisation.

In seeking organisations for this research the focus was to identify social service nonprofit organisations that have adopted an enterprise, which uses economic principles for social ends, and to investigate research what conditions facilitate adoption. This next section looks at the operation of social enterprises in the Australian context.

2.3.3 *Social Enterprise in Australia*

The *Giving Australia* report (Commonwealth of Australia 2005) identified that within a sample of four hundred and eight one nonprofit organisations across a range of fields, twenty nine per cent operated a commercial venture or social enterprise. In eighty-seven per cent of these instances, the enterprise was an extension of services the organisations provided as part of their core work and mission. Using the ACOSS (2005) *Community Sector Survey* results, which narrow the focus specifically to social service nonprofits; just less than four per cent (3.8%) of income was generated from a social enterprise or business in 2003-2004. Also noted from the ACOSS survey data is that income generated from a social enterprise or business had actually decreased slightly from the previous year. The key message highlighted in Chapter 1 was that there has not

been significant growth in this option as a resource mobilisation strategy within social service nonprofits in Australia. Social enterprise initiatives have predominantly occurred in larger organisations and disability organisations.

It is the larger charities such as the Smith Family, Mission Australia, Salvation Army and Benevolent Society that have strong sustained histories developing a range of business ventures that directly assist the disadvantaged clients they service and/or provide supplementary revenue for their social programs (Talbot, Tregilgas & Harrison 2002). Another area within Australia where socially focused business activity has occurred is in sheltered workshops, now called business services, and opportunity shops. Disability focused business services are examples of enterprises that directly provide opportunities for people in need (in this case those with a disability) and opportunity shops provide examples of generating revenue to supplement social programs (McAuley & Verick 2002).

The Smith Family has run a large non-woven goods manufacturing business in Australia for twenty years. The Seventh Day Adventist Church owns and operates Sanitarium Foods, which provides highly competitive breakfast and health foods against market giants such as Kellogg. Some smaller localised organisations have also been successful in establishing social enterprises in Australia in employment creation, service provision and community development. This has included areas such as: establishing micro-finance initiatives in Indigenous communities; commercial computer sales; training and internet provision ventures; recycling and job creation enterprises; food delivery and catering services; retail chain and clothing labels; cleaning; and exhibiting and selling Indigenous Australian art (Bullen et al 1997).

Further development of social enterprises in Australia was planned through the establishment of a Social Entrepreneurs Network (SEN) in 2001 whose mission statement envisioned the creation of a network of active social entrepreneurs who were strengthening communities and creating a better quality life for all, especially those who were disadvantaged. Whilst SEN was established to help others be enterprising, paradoxically it was unable to achieve organisational sustainability and folded after only a couple of years of operation.

Governance problems were blamed for SENs demise and competing agendas were identified at the board level between those supporting organisational innovation in nonprofits to facilitate enterprise development, and those fostering business activity for a social purpose. Opposing operating frameworks appeared to be at work with some people wanting to apply a market framework and run the network like a large corporate style charity, while others wanted to build a grassroots social change orientation with the focus on activism[3]. The importance of understanding what it takes to locate enterprising activities within an appropriate organisational context is accentuated in SEN's fate.

The welfare reform agenda in Australia - at its peak at the turn of this century - helped fuel an interest in social enterprise though this has died down somewhat. In the final report to the Minister for Family and Community Services, the Reference Group on Welfare Reform (2000) highlighted the importance of supporting social innovation through the growth of social enterprise. Drawing on what was happening in the UK and USA and contrasting this with explorations into the Australian situation, the reference group identified that adoption of social enterprise was unlikely to happen more

[3] This assessment is based on discussion with several people involved in SEN and a reading of email correspondence that circulated at the time of SEN's demise.

broadly without deliberate strategies to foster their development and that "training, networking, mentoring, cross-sectorial collaborations and facilitating access to capital, are important factors in the development of social entrepreneurs' ability to address outstanding social problems" (Reference Group on Welfare Reform, 2000, p.50). Ongoing assessment and critiquing of social enterprise was also recommended as important to the healthy development of business practices by nonprofits. To this day there has been limited investment by government to support social enterprise development with greater focus placed on enabling business partnerships.

Despite the heightened interest on social enterprise generated in Australia there is still predominately only practitioner focused literature that is non-empirically based to guide organisations. Two key publications referred to earlier include the introductory handbook on *Social Enterprise in Australia* (Talbot, Tregilgas & Harrison 2002) and an overview of case studies and a guide to *Nonprofits in Business* (Bullen et al. 1997). These two Australian publications emphasise social enterprise as having the following aspects:

- a commitment to those who have been marginalised or excluded from society;
- market-based business focus that is visible and sustainable;
- success in meeting both social and business goals;
- offering competitive advantage to the nonprofit;
- varying in degrees of entrepreneurship and innovation;
- shrouded in ideological and philosophical debate;
- potentially exposing the organisation to many and varied difficulties and risks resulting in a limited longevity and self sufficiency; and
- impacted upon positively and negatively by government policy.

Some of the items in the above list promote the case for social enterprise while some highlight the difficulties. These areas are discussed in turn in the following sections.

2.3.4 *Claims for Social Enterprise*

The most pressing claim people make about social enterprise relates to the tangible social and fiscal opportunities they can provide (Alter 2004). Most authors on social enterprise make claims about how they can combat social exclusion, create social cohesion and provide places for positive socialisation (OECD 1999). Social enterprises are said to create direct opportunities for the most disadvantaged in society and any group served through nonprofit social service agencies (Talbot, Tregilgas & Harrison 2002). They are promoted for their ability to extend the sector into new places beyond where government is currently willing or able to go (Defourney 2004). They are said to be an expression of creativity that can harness business strategy and apply it either directly or indirectly to promote social integration and harmony (BRASS 2004).

Another claim for social enterprise relates to the benefits accrued in diversifying an organisation's resource base. Any venture that earns the title social *enterprise* needs to have some focus on the generation of revenue. Earned income activities have been found to directly and indirectly (Skloot, 1987, p.387) improve financial stability, strengthen program activity, increase organisational visibility, enhance fund-raising capacity and improve managerial capacity. The process of developing an enterprise can also help a nonprofit organisation clarify its mission and focus it on delivering strategies that best add value in the social sphere (Talbot, Tregilgas & Harrison 2002). Revenue generating enterprises can mean an organisation has the ability to retain core programs that are revenue negative, though socially important (Skloot 1987).

Another major claim for social enterprise concerns the failure of government to meet social need. Government is increasingly being seen as a blunt instrument unable to provide the deep incision required to address the complex inter-linked problems located in society. Community social enterprises are argued to achieve far more than government led intervention (Barraket 2001; Pharoah, Scott & Fischer 2004). In addition, the resources delivered by social enterprise generate benefits such as increased freedom and greater flexibility than government grants and philanthropic donations may allow (Talbot, Tregilgas & Harrison 2002; BRASS 2004). The UK government has invested substantially in the development and tracking of social enterprise outcomes. They have found social enterprise activity a driver for wealth and job creation through tackling social exclusion and unemployment (Department of Trade and Industry 2002).

Former Federal Labor party leader Mark Latham strongly advocated for the widespread adoption of social enterprise. Latham (2001) gave a paper to the inaugural Social Entrepreneurs Network conference in 2001 that presented social enterprise as a response to welfare dependency and another option to the welfare state model. There were a number of key tenets proposed in Latham's argument:

1) government isn't able to simply spend to solve welfare problems;
2) government intervention is less effective than community generated responses;
3) the welfare state breeds paternalism and disempowerment;
4) welfare problems though geographically based are not static; and
5) socially responsible behaviour is needed as much as social rights.

Latham envisioned that success against entrenched problem lay in communities taking control of social problems rather than being held back by waiting for cumbersome governments to intervene.

Another claim for social enterprise development relates to harnessing capacities (Simon 2000); that is the value-adding aspects (empowerment, skills development, and emergence of creative talent) that arise from the process of citizens becoming active in mobilising a community response. This includes the opportunities for empowerment that can be realised through user-led social enterprises. The mobilisation of human capital is a widely supported claim in the case for social enterprise. The argument is that social enterprise offers potential to develop staff and/or clients in diverse ways and build organisational capacities that otherwise remain untapped, and that government funded programs restrict through the mandate to deliver within prescribed guidelines.

The generation of social capital through social enterprise development within communities is another claim made particularly in countries such as France and Canada (specifically Quebec). This includes a strong emphasis on the solidarity of people joining together to create grass root opportunities to overcome economic hardship, unemployment, local economic decline or a shortage of goods and services. Social enterprise initiators are often entrepreneurs who want to make an impact on a situation that is not adequately being addressed by government or the market, by bringing a social orientation to business application. An important component of the pursuit of social objectives is democratically defining the issues to be addressed through buy-in of the interest groups involved. For those arguing this type of case, a purely economic focus in social enterprises is untenable. The social component of social enterprise is said to be an underdeveloped concept (Pharoah & Scott 2002).

The positive outcomes that can arise from social enterprise outlined in this section might acts as drivers for those organisations adopting a social

enterprise. Next we look at a critical view of social enterprise that possibly holds clues as to what factors are limiting adoption.

2.3.5 *Critical View of Social Enterprise*

As highlighted earlier, discussion on topics such as social enterprise draw to the surface what appears to be a schism between blending economic behaviour with social welfare solutions. A critical area of concern is the widely different values inherent in social and economic approaches, and the culture tensions between these two goals (Pharoah et al. 2004). Pharoah et al (p.29) found that the "peaches and cream" view often promoted in fusing the social and economic underestimates the tangible struggle nonprofit organisations face in fusing these two goals. The common good, public benefit ideology is said to be hard to reconcile with the financially driven, profit maximising, personal gain ideology bound up in enterprise. Authors such as Earles (1998) and Bush (1992) express concern that enterprising cultures may limit a convergence between values and practice and restrict the expression of solidarity values.

The literature on social enterprise is skewed toward promoting the positive outcomes with very little revealed about what it really takes, in an organisational sense, to achieve these outcomes. There is also little investigation of some of the potentially harmful outcomes that might arise. Skloot (1987), in presenting a balanced view of enterprise and commerce in nonprofits, highlighted that for some organisations, income-generating ventures can be dangerous, citing reasons such as compromising mission, disrupting operations, creating legal problems and causing financial harm. Skloot raised a set of potentially negative impacts of enterprise development in nonprofits at the organisational level, sector level and macro society level. These areas are addressed below.

At the organisational level, social enterprise adoption can be argued as a means to gain financial self-sufficiency (Boschee 1995; Wallace 1999), however Crimmins and Keil (1983) found that of 130 nonprofits with a social enterprise surveyed only twenty two per cent of the group earned more than ten per cent of their revenue from enterprises. To date there are few organisations that have moved from a reliance on government funding to financial independence through the development of a social enterprise. Social enterprise development appears to need venture capital, which can require government fiscal support and policy direction. Directive government involvement in social enterprise development has been viewed negatively because of the risk that such practices end up government arrangements and lose many of the advantages highlighted in the previous section (Griffith 2004).

Though social enterprises are said to be a means to operate with greater autonomy 6 and Leat (1994) criticise the notion that acquiring revenue from social enterprises results in greater independence and freedom as mythical. In practice it appears that most organisations end up reliant on a mix of grants, donations and volunteer labour with social enterprises contributing to the mix. Ongoing grant funding may remain a necessity as social enterprises yield only a small proportion of the required income to support an organisation's mission (Pharoah & Scott 2002).

Introducing an enterprise into a social service organisation can exacerbate conflict over resource allocation. There can be tension over how much is allocated to direct service delivery versus the development of an enterprise. Staff loyalty can be divided between new and old projects, and those who are enterprise focused versus traditional program focused. Higher levels of compensation may be required to attract staff with specialist business skills,

further accentuating conflict between staff from different programs. Maintaining staff with the dual skills required to successfully manage a social enterprise may be difficult, as some are likely to be offered better compensation in the private sector or head hunted to go elsewhere.

Time demands on people can also increase in introducing a social enterprise into an organisation. For example, Skloot (1987) reported a social enterprise could absorb thirty to fifty per cent of a chief executive officer's time. The pressure on board members can also increase, including the greater personal liability risk they may have to carry in managing an enterprise. Then there are the problems that can arise for organisations due to high levels of success. High levels of income earned can generate a complex web of legal and financial issues threatening the legal status of an organisation. It could potentially tip an organisation away from its social mission to follow the 'thread of gold'. As pointed out by Skloot, sustained profitability from commercial arms can make staff members complacent or distant from their line of sight on the social aspects of the organisation.

At the sector level, there is the concern expressed in nonprofit circles that successful generation of social enterprise revenue might result in more restrictive tax rulings applied to nonprofit social services; and that this would be based on the commercial success of the larger nonprofit organisations. There is also concern that success in raising the proportion of income generated from social enterprise, will crowd out other revenue sources (Payne 1998), or only be applicable to some areas within the nonprofit social services. Skloot (1987) asserts that some areas most in need of finding alternative resources to meet growing demand, such as in areas of crime and child abuse prevention, advocacy and justice, are reported to find it hardest to generate revenue though an enterprise.

At the macro society level, there is concern that the growth of social enterprise could create a competitive environment between nonprofits and businesses and that business and their ideologies and practices infiltrating the nonprofit sector (Mason 1992). In the other direction there has been a case mounted by some for-profits against the unfair tax advantages many nonprofits receive and how that leads to unfair competition in the market place. Some business advocates have appealed to government to reduce nonprofit tax concessions. The Productivity Commission investigated this matter in Australia in the year 2000 and found that nonprofit business ventures are not price-makers but price-takers (ACCORD 2003). The concerns by for-profit agents seem to show a lack of understanding that the purpose of socially located businesses is to generate revenue for social goals and that this puts extra costs into a venture.

Healey (2001), whilst supportive of the role of social enterprise as a strategy within the Australian social sector, raised some concerns about social enterprise being constituted as a paradigm shift. She suggests that if viewed as a requisite paradigm shift it can "relieve governments of their responsibilities for the wellbeing and welfare of citizens" (p 16). This concern had become particularly topical in Australia due to a number of key advocates for social enterprise, such as Latham (see above), that promote the benefits of citizens generating solutions to their own problems rather then relying on government led intervention.

Another concern expressed by Healy (2001) was the uneven playing field and limited capacity of smaller organisations to take up adoption. For example organisations that deliver services which require substantial engagement with the business sector, such as employment and housing fields, have advantage over organisations with missions in the area of personal care and community support. If social enterprise is constituted as a new paradigm for the sector

then there maybe a mosaic of winners and losers, particularly as we understand so very little about what is required for an organisation to adopt a social enterprise.

An exploration of the potential factors that influence why an organisation might adopt a social enterprise is developed further in the next chapter that presents a number of research orientations that can be applied to the issue. The thesis moves in the next section to an examination of business partnerships.

2.4 Business Partnerships

2.4.1 *Introduction*

The search by nonprofits for business support has a long and sustained history, particularly in the form of philanthropic donations and in kind contributions. In this form of relationship the level of engagement is, as defined by Austin (2001, p.1) "low, infrequent, simple and nonstrategic. It is basically a cheque writing relationship. The giver has a charity mindset and the recipient a grateful attitude". The emergence of strategically aligned partnerships, where both partners work together in mutually reinforcing ways, although not as common as philanthropy, has increased in its significance in the contemporary context. It is the task of this research to identify what facilitates nonprofit organisations being able to adopt more strategic partnerships with business. This new agenda pushes philanthropy toward creating value (Porter & Kramer 1999) and normalises a sense of business responsibility to give to the community in which it operates and draws its profits.

Business partnerships have become a means of collaboration for addressing social issues through collective work to achieve a common goal (Blockson 2003). In examining these partnerships, the business side of the equation has on

balance received greater attention. From a business perspective partnership development is about identifying social issues that need support that align with the businesses interests and competencies. In seeking higher returns on their investments, businesses have been rethinking how they operate and their role as community citizens, and as a result have become more strategic about who they invest in (Austin 1998a, 2000a; Peters 2001).

Focusing on nonprofits, the emphasis has been on promoting the opportunities available through partnership to generate new forms of resources that take the pressure off the tightening government purse strings (Wagner 2005). The emphasis extends beyond cash to more diverse forms of resources to be gained that can enhance the capacity of an organisation to achieve its mission and be sustainable (ACOSS 2000). Partnerships are promoted as generating creative and innovative opportunities to deliver social services in a manner beyond prescribed government guidelines (Murphy 2000). Partnerships are proposed to offer a wider form of social coalition necessary to solve the raft of social problems (Sagawa & Segal 2000), that despite significant advances in human civilisation, societies worldwide are struggling to extinguish.

For nonprofit practitioners there is literature to inspire what is possible and guidance on how to seek partnerships (ACOSS 2000), though less on how to manage the barriers to forming partnership or the associated risks. The diffusion of business partnerships through the nonprofit sector relies to a large degree on businesspeople appreciating their inherent value. For example, partnerships with nonprofits are said to offer opportunities for business to operationalise their social responsibility agenda, increase employee morale and enhance the bottom line in the process (Birch 2000; Peters 2001). The case for partnering, and the critiques, are discussed further in alternate sections below, following an examination of the definition of business partnership.

2.4.2 *Business Partnership Definitions*

The literature on business partnerships is useful in defining the construct and clarifying its varied forms. There is a growing body of literature that focuses exclusively on business partnerships, though they are also discussed within the rubric of social entrepreneurship and as a social enterprise typology (Alter 2004). Social enterprises tend to focus more on enterprise behaviour where revenue is generated as part of a social framework, whereas business partnership as a typology in its own right emphasises more the activities between partner organisations. There may however be social enterprises that are run as a partnership between business and nonprofit agencies so the division is not totally clear-cut.

Business partnerships can be seen as a particular form of collaboration between social and business agents. Wood and Gray (1991) suggest that a collaboration occurs when "a group of autonomous stakeholders of a problem domain engage in an interactive process, using shared rules, norms, structures, to act or decide on issues related to that domain" (p.139). Reflecting on this definition, the challenge in creating business partnerships is likely to be traversing the disparate norms, rules and structures that business and social agents usually operate within. The impetus to override each partner's differences is facilitated through a business's commitment to a social responsibility agenda and a nonprofit's interest to consider business as a stakeholder in the social realm.

Sagawa and Segal (2000) used the term partnership to describe the relationship between two organisations that engage in one or more philanthropic exchanges, without regard to the complexity of the exchange. They take a broad definition of exchange to include a one-off philanthropic grant by a business to a

nonprofit, but also include it to mean a joint venture targeting a social problem. Other authors only make reference to partnership in relation to strategic philanthropy, where the relationship is integrative (Austin 2000a) or intense and complex (Lyons 1998a) and where there is mutual mission and benefit for both parties. In these instances one-off philanthropic exchanges would not be considered partnerships.

Business support for nonprofits can take many forms along a non-commercial and commercial continuum ranging from anonymous philanthropy at one end (donations), to social enterprise ownership at the other, with partnership at the midpoint. Both Lyons (1998a) and Austin (2000a) distinguished between the type of exchange in terms of two dimensions: time and the terms of the relationship. Austin framed these dimensions in terms of a collaboration continuum with a philanthropic stage at one end, moving through to a transaction stage as the mid point, and an integrative stage at the other end of the continuum.

The philanthropic stage reflects a simple relationship between a nonprofit and business with little time invested; one-off grants fit within this stage. The transaction stage is where two-way benefits are sought and identified and the relationship becomes more mature and developed. In this instance the business organisation's capabilities are more widely used to meet a nonprofit's needs, such through employee volunteer services. Synergies between a social issue and marketing a business to generate collective resources are harnessed such as through cause-related marketing and event sponsorship.

The integrative stage involves a more complex relationship that involves alignment of both partners' missions and results in collective action that merges the partners. This is characterised by, "deep mission mesh, strategy

synchronization, and values compatibility" (Austin, 2001, p.1). Other key features that fit along this part of Austin's continuum include: more frequent interactions; increase in the type and level of institutional resources; organisational integration and shared governance; and shared responsibility for targeting a social cause.

Lyons (1998a) classified the relationship between nonprofits and businesses in terms of three categorically discrete models instead of as a continuum. Model one defines business support as philanthropy; model two as a business transaction, and model three as corporate citizenship. The corporate citizenship model is similar to the integrative end of Austin's continuum and has the following characteristics: high level of engagement; mission central to both parties; large magnitude of resources exchanged; broad scope of activities; intense interaction and complexity in the managerial arrangement.

Lyons' (1998a) classification corresponds to Austin's (2000a) three-stage model, however Austin proposed that individual exchanges would develop over time from one end of the philanthropic continuum to the other, moving toward more integrative exchanges. Lyons takes a more historical perspective positioning the emergence of model three as a more contemporary approach and "leaves open the question of whether the relationship between individual organisations also matures in stages from model one through to model three" (Onyx, Lyons & Booth, 1999, p.5).

Edwards and Onyx (2002) also questioned the assumption found in Austin's definition of business partnerships that they grow along an expected developmental trajectory, from lower levels of interaction to increasingly higher levels of interaction. In grappling with this anomaly, they suggest another way of defining these partnerships is to allow for a dimension of multiplexing,

which "refers to a relationship that incorporates both the economic dimensions...with the social dimensions in the planning, formulation and execution of the relationship" (p.7).

Multiplexing incorporates such variables as: length of relationship; number of staff involved; outcome for the organisations and the community; number of partners; and continuation of learning. Edwards and Onyx suggest conceptualising business partnership typologies as increasing from lower to higher levels of complexity, as both Austin and Lyons do, but increasing scope for variation in the attributes of that complexity.

This section has scoped the parameters of business partnerships and highlighted the dimensions that are possible within them. This thesis is interested in focusing on the adoption of business partnerships that fall at the integrative end of Austin's (2000a) continuum, or exemplify Lyon's (1998a) corporate citizenship model. The next section looks as how partnerships between business and nonprofits are being forged in the Australian context.

2.4.3 *Business Partnerships in Australia*

The Australian evidence suggests that integrative partnerships are still not widespread. The most common models of business partnership are the philanthropic model where nonprofit partners gain access to a share of funding sources, and the business transaction model where there is a combination of skills, resources and cultural attributes bought to the table by both partners. Less evident are integrative models where there is stimulation of innovation, creativity, new developments and significant learning from each other (May 2000).

Australia has made relatively good progress in recording the extent and type of business activities in the nonprofit sector. As pointed out by Lyons (1999), research into business support for Australian nonprofits has tended to involve surveys to quantify, the value and direction of business support, and business attitudes and practices on being socially responsible citizens. This has been supplemented by case studies of specific business partnerships. Business support for nonprofits in Australia is summarised by Lyons (1999, pp.73-75) as involving the following features:

- huge variation in the types of support;
- business contributions to nonprofits is significant with larger companies giving bigger individual contributions but smaller companies collectively contributing a higher proportion of funds to the nonprofit sector;
- the issues supported varies with size of business with larger companies more likely to support arts and education than religion;
- tax deductibility provisions are not fully used possibly due to their complexity;
- business motives vary from pure altruism to strategic planning that aims to boost a business' bottom line directly or indirectly; and
- decision structures to determine business giving vary with the size of the organisation.

The Australian Federal Government recently published the findings from research on business giving in Australia. The multifaceted research included responses to a *Business Community Involvement Survey* by 2,705 businesses across Australia in 2005 and a *Survey of Nonprofit Organisations and Fundraisers* completed by four hundred and eight one organisations. It also drew upon the ABS data from the 2002 *Generosity of Australian Business Survey*. The *Giving Australia* (Commonwealth of Australia 2005) findings reveal similar themes to

those identified by other researchers in this field (Lyons 1999, Bednall et al. 2001) though offer a more detailed analysis of the extent of business partnerships and changes over time, particularly relative to other forms of giving.

Business support for nonprofits appears to be growing, though mostly in the form of donations. Figures show donations rose in prevalence between 2000-2001 and 2003-2004, from just over forty per cent (40.5%) to fifty-eight per cent, and comprise the most dominant form of giving by businesses to nonprofits in Australia. Sponsorship is the second most popular form of business giving, though it appears to be reducing falling in popularity from nearly forty seven (46.7%) per cent to twenty five per cent during the same period. Business partnerships have increased in prevalence from just over twelve (12.6%) per cent to seventeen per cent between 2000-2001 and 2003-2004. This form of giving was engaged in by nineteen per cent of businesses and totalled $540 million dollars. However it is important to note that what is being defined as business partnerships by the ABS are philanthropic type partnership exchanges rather than the more integrative exchanges we are interested in here.

Nonprofit social service organisations attracted the highest proportion of giving by Australian businesses (30%) when compared to other types of nonprofit organisations such as arts and culture, education, sporting and recreation, and environment and animal welfare organisations. The research suggests these partnerships form out of a long-term relationship with the giver, though still tend to be predominately philanthropic, consisting of financial or product contributions rather than more integrative exchanges. These trends identified in these findings are consistent with those found in a survey by the Council of Small Business Organisations of Australia (2000).

The *Giving Australia* report (Commonwealth of Australia 2005) found large businesses (501+ employees) are more likely than small (less than 11 employees) and medium sized business to engage in the more sophisticated forms of giving such as business partnerships. However sixty-six per cent of smaller businesses participate in some form of giving and do provide services such as management advice, staff training and employee time, which could theoretically develop into integrative business partnerships. Many small and medium businesses indicated a strong interest in better managing giving practices and perhaps with increased capacity could develop integrative partnerships. Capacity is a limiting factor inhibiting partnership development for smaller nonprofit organisations that were found in the research, to "lack both the resources to diversify their activities for generating resource and/or the knowledge to do so" (Commonwealth of Australia, 2005, p.30).

Focusing on the 'big end of town', Australia's Centre for Corporate Public Affairs in conjunction with the Business Council of Australia, surveyed the seventy-six biggest companies in the nation to examine their level of community involvement. They found nearly half have policies (formal and informal) relating to community involvement, social responsibility or stakeholder engagement and these were introduced well within the last decade. The results showed that reasons for involvement are multifarious depending on industry type. Improving employee morale, teamwork and retention is a common focus; this can be achieved through engaging staff in community activities. Community engagement also aims to achieve legitimacy with community and government stakeholders rather than serve the commercial focus of the business; though contributions may indirectly impact on the bottom line. Improving customer good will and relations is a common impetus of developing partnerships in service industries, retail and manufacturing.

Focusing on a specific group of nonprofit organisations in the social services, McAuley and Verick (2002) looked at business partnerships in the disability sector and investigated the views of nonprofit actors. In alignment with the findings reported above, philanthropic relationships were most common such as ongoing donations and in-kind support, though these were being replaced by a growth in strategic alliances and joint ventures. This included diverging away from the provision of direct funding to donating time and resources. McAuley and Verick found that business in all sectors and sizes form partnerships with disability organisations, however the majority of partnerships were short-term and many had an agreed end date. A professional and business-like approach in the nonprofit was found to be an important basis for negotiating a partnership and it was identified that not all organisations have what it takes to foster partnerships. The majority of disability organisations (83%) indicate an interest in partnering with business and only a minority (4%) explicitly said that they were not interested in partnerships with business.

The Australian findings indicate that business managers are increasingly interested in strategic community involvement and including employees in philanthropic activities. Business is also beginning to align their philanthropic involvement with business objectives. The corollary of this is that nonprofits increasingly need to have the capacity to articulate their value in a way that aligns with the business imperatives of firms.

The growth in recognising the importance of business social responsibility and corporate citizenship has been driven partly by global companies with their parent organisation based overseas incorporating these practices into their Australian subsidiaries. The Australian Federal Government has also promoted the importance of business partnerships through the welfare reform agenda.

The Reference Group on Welfare Reform (2000) reported to the Federal Government that business partnership should be promoted as vehicles for community economic development, and businesses engaged as a means of mobilising the resources within the community. The Reference Group also promoted businesses as valuable partners who through their social responsibility agenda could play a role in enhancing the economic and social participation of Australians.

The Australian Federal Government has oriented its efforts to supporting nonprofits entering partnerships with business, by promoting the merits of business partnerships and acknowledging successful examples. In the late 90's, Prime Minister John Howard made the development of partnerships between business and nonprofits central to the Federal Government's vision of a fair and just Australian society. This included promoting businesses partnering with nonprofit organisations and government as a form of social coalition and as a means for reforming the welfare state. The principle of mutual obligation was a major platform of the Federal Government's welfare reform agenda, and while mainly focused at the level of the individual, placed obligations upon all sectors. Unfortunately the obligation upon government to enhance the capacity of nonprofits to partner with business did not attract significant support in the promotion of the social coalition.

In 1999 the government established The Prime Minister's Community Business Partnership initiative, which began as a 'Round Table' charged with the responsibility to foster a tradition of Australian business, individuals and community organisations working together for mutual benefit and the benefit of the Australian community. What emerged were a range of initiatives including a series of tax incentives which the Prime Minister agreed to including: tax deductions for gifts of property worth more than $5000; capital

gains tax exemptions for bequests of property to bodies with tax deductibility; a new category of private charitable funds; and greater program incentives for donations of property under the Cultural Gifts program (Encel 1999).

More prominent were the Prime Minister's Community Business Partnerships awards that showcased partnerships between small, medium and large businesses and nonprofits that tackled community issues (www.partnerships.gov.au). There was also a speakers program, a range of seminars and development activities and funded research. Business councils responded by establishing initiatives such as the Centre for Community Business Partnerships (www.ourcommunity.com.au), designed to foster business partnerships. Government departments also began to set funding criteria requiring the exploration of business partnership formation.

In summary, Australia's nonprofit sector has a strong foundation of engaging with business though more so in a philanthropic non-integrative manner, and though this is changing, integrative partnerships are not commonplace in social service organisations. The Australian government has created a context for greater engagement between nonprofits and business. Businesses are increasingly shaping their investment possibilities in the social sector through requiring a non-monetary return on their investment. The Australian nonprofit sector appears interested in moving toward integrative partnerships, though many organisations remain unaware of how to go about it, what they have to gain and what they might risk. These latter two elements are discussed in turn in the subsequent sections.

2.4.3 *Claims in Support of Business Partnerships*

In trying to understand why some small and medium sized nonprofits adopt business partnerships and others do not, we need to consider what benefits are available by engaging in one. The benefits may be accrued within the bounds of a nonprofit organisation and business, but also may be generated at a much broader level across a community. This section considers these different elements in presenting the case for business partnerships.

For a nonprofit organisation, business partnerships offer new ways of seeing problems and solutions. Partnerships can combine philanthropic resources with additional support options; they provide an opportunity for nonprofits to leverage access to a wide range of resources including human, financial and physical, to extend an organisation's mission reach. Support in the governance of the organisation is commonly available for nonprofits engaged in a business partnership. Weeden (1998) found that a nonprofit that gets major support from a business is also likely to have an executive from that company on the board. Having a business executive on the board can translate into accessing free management consultancy and open opportunities to other corporate services and resources.

Business partners can act as powerful stakeholders to assist in advancing the nonprofit's mission and creatively achieving organisational goals. For instance an organisation working with unemployed people can develop a business partnership to generate employment and business creation ventures for their constituents. Employment creation has been identified as a positive area in which businesses and nonprofits can effect change together. Moon and Sochacki (1996) examined the social responsibility of business in job creation

and the benefits accrued through their involvement such as resource transfers (fiscal and non-fiscal), skills development, marketing opportunities and demand stimulation. There are many other goals that nonprofit social services hold that can be creatively tackled with a business.

Business partnerships make logical sense at a community level, particularly when we view socio-economic problems as intertwined. That is, businesses need healthy communities to stay viable and communities need a strong economy to stay healthy. Answers are being sought in what Austin (1998a) refers to as new forms of collaboration or partnering for progress. This increasing recognition of the interdependence of nonprofit and business is likely to be supporting a move toward business partnership adoption. This is because many of the answers to social problems are increasingly been argued to require the mobilisation of the community itself.

Community wide involvement rather than government led intervention is said to result in greater ownership and commitment. This is espoused by Francois Lagarde who suggests that working toward a change for the better involves "mobilising individuals in both the business and voluntary sector who see the integration of know-how and resources as the genesis of sustainable and productive solutions to our collective issues" (Canadian Centre for Philanthropy, 2000, p.7).

Drucker (1984) outlines a case whereby social problems are more likely to garner support and be solved if constituted as opportunities for business; thus social capital will be financed if it generates financial capital. Business and nonprofits together are the players that can generate these two forms of capital; government on the other hand is limited in its direct contribution. This engenders the case that business should do good in order to do well, and that

nonprofits should do well by doing good; and for both doing well increasingly requires 'doing it together'. Austin (2000b) strongly advocates that cross sector partnerships that include business, community and government are the new 21st century paradigm and that "going it alone is on the list of endangered strategies" (p.1).

It was implied in the discussion earlier that business partnerships could generate high levels of social capital. This is an objective of many nonprofits in their work, so is conceivably a positive incentive to engage in business partnerships. Edwards and Onyx (2002) investigated this claim and found that all types of business partnership generate some degree of networks of association between the partners. In highly integrative partnerships with frequent contact, complex networks and a two-way and equal relationship between the partners are likely to develop. In instances where the relationship is less integrative one might expect the generation of social capital to be weaker, but in fact Edwards and Onyx report there can still be rich development of social capital across the nonprofit sector in these instances.

McIntosh et al (1998) suggests business has responsibilities that go beyond profit generation, compliance with legislation, general ethical behaviour and even philanthropy; toward recognising it needs to be accountable to a wider set of primary and non-primary relationships. This is part of being a good corporate citizen and is essential to being viewed favourably by the public, media and in attracting and retaining employees. Similarly there is potential for nonprofits to consider a greater array of stakeholders in their work. Crofts and Gray (2001) suggest that within a community development process business can be viewed as a stakeholder that can contribute valuable resources to achieve positive outcomes to social problems.

The Council of Small Business Organisations of Australia (2000) promotes the business case for community engagement while the Australian Council of Social Services (2000) promotes the social case for business engagement by small and medium nonprofits. Current thinking is that both business and nonprofits are likely to get the most value-creation from partnerships if they are viewed as a means to reach their strategic goals. There are a lot of spin offs and unforseen benefits that can derive from partnerships for both partners and the wider community (Austin 2001; McAuley & Verick 2002). However there are barriers and risks and a more critical view of business partnerships is discussed in the next section.

2.4.5 *Critical View of Business Partnerships*

Business and nonprofits clearly belong to different genera and their fundamental differences can cause problems when it comes to partnering. As pointed out by Dees, Emerson and Economy (2001), the core accountability processes that define businesses such as ownership, competition and profit, distinguish nonprofits for the exact opposite reasons. The concerns about partnerships between business and nonprofits are often expressed in terms of the limitations and risks for a nonprofit, the distraction to business from its job of generating profit and of government shirking its responsibilities. The concerns pertaining to nonprofits, business and government will be discussed in turn.

The most critical concern is that business partnerships could compromise a nonprofit's mission or goals, and undermine their credibility, if they 'tango' with the wrong partner (May 2000). For instance, there is the possibility of changes in program direction to align with the business partner's agenda, such as their marketing goals. There is also the risk that nonprofit clients might be

targeted for marketing purposes by the business. There could also be a loss of reputation if the nonprofit was drawn into a business scandal or if there was a mismatch between the nonprofit's mission and the activities of the business. For example if a youth organisation were to be in partnership with a business that promotes alcohol. A partnership could also cause conflict with other funding sources and some businesses might demand having an exclusive partnership with the nonprofit. If partnerships are a way to diversify a nonprofit's resource stream then such arrangements are counterproductive, and nonprofits might limit opportunities, which could yield greater rewards or have higher social impact.

The level and type of influence businesspeople might play on the nonprofit board could influence many of the issues identified in the paragraph above. It was mentioned previously that a partnership often involves businesspeople in the governance of the organisation. Critics are cautious that whilst this might result in a more professionalised board it could result in a loss of community control, pushing of the business agenda, and finally mission drift.

A potential problem with the move from philanthropy toward more strategic partnerships is the potential loss of flexible funds that the nonprofit can direct at their will. As pointed out by the Canadian Centre for Philanthropy "Companies usually prefer to support projects that take place over a defined period of time, deliver a tangible product and can be assigned a definite budget" (2000, p.19). This can be problematic for social service organisations that are also under pressure from government to operate programs in tightly controlled ways with little flexibility to respond outside the square. Social service organisations need cash and in-kind contributions built into strategic partnerships to be able to respond flexibly. Aligned with this is the concern that business will really only be interested in providing resources for particular

issues; as with government, the partnership could result in the nonprofit censoring its advocacy voice, out of fear of losing funds.

Another critical area that might inhibit nonprofit organisations adopting business partnerships relates to the costs involved. This includes the substantial administrative involvement, staff time and possible financial outlays invested in the partner venture. For instance, though a partnership might offer business employee involvement, it would take substantial effort to coordinate this. McAuley and Verick (2002) identified the risk that a business partnership involves giving too much time and money for irrelevant programs, and drains the budget and other resources without increasing core support. Another risk is of organisations investing too much up front in business partnership ventures, and with the risk of not getting satisfactory returns that they waste valuable resources. The business may decide to pull out, particularly as philanthropic money and effort is often discretionary for the business, and so if things turn downward there can be a relinquishing of partnership arrangements.

Finally on the nonprofit note, there is the suggestion that the harnessing of resources and partnering for creative problem solving might best be achieved through social service agencies working with one another. This avoids the complexities of being in a relationship with a partner whose priorities, decision-making processes, and values are totally different. However this doesn't solve the problem of resource scarcity often found in other nonprofits. Many nonprofits are already sharing resources out of necessity, rather than creative choice as promoted by policy makers and funding bodies (Wagner 2005). Critics of business partnership come from both sides of the partnering equation. We turn now to look at the business cautions about their involvement.

As identified earlier, integrative partnerships are still relatively limited in prevalence in Australia and it is possible that some nonprofits may have sought such arrangements with business but have found difficulty finding a business that is willing to engage in a partnership. Reluctance by business to support social issues might inhibit partnership development. There is a view, such as espoused by the Chicago school of economics, that the role of business should not be anything other than business.

Milton Friedman (1962) is the most well known in promulgating the view that the line of sight for businesses, should at all times be on maximising the possible return to shareholders for their funds invested. Within this line of thinking engaging in social or environmental problems, even if generated as a by-product of business activity, is said to fall within the ambit of government and the nonprofit sector.

Moon (1995) also discusses these arguments in examining the firm as a citizen, highlighting thinkers such as F.A Hayek who warned against business wielding their power in social dimensions of communities and that this was to go against the duty to shareholders. Most shareholders want the highest level of profit for their investment, and are therefore not interested in the personal connections the business might make and invest in the community. Smaller businesses are more likely to have a sense of place and connection to a region, whereas many corporations with available resources are focused on a global agenda and might be less interested in a defined community.

Moon (1995) in researching business citizenship, highlighted the view of one business survey respondent regarding social responsibility:

> For equity reasons I believe quite firmly that government should assess needs and undertake programs to alleviate social and other related needs

> within our community. If the private sector was to assume a larger role in this area there is no guaranteeing that the most needy would get the appropriate priority. Rather, the particular whims, prejudices or whatever of chief executives, directors and others associated with companies might take precedence over areas of real need - particularly those which are not as appealing or fashionable (p.12).

Looking at partnerships in this critical light there is the concern that they could override the valuable role government plays in the distribution of social service resources within an evidenced based policy framework. Despite the disparity in views on this topic, many agree that the business sector should never be expected to fill the gap of government funding. Even if business were to take a greater social responsibility role, it wouldn't practically meet the needs, even if every business donated a small age of its pre-tax income for distribution within the community.

It is evident that both business and social service stakeholders might sustain the stereotypes that limit cooperative action. The nature of nonprofit social service organisation as outlined in section 2.2.2 means they are likely to show some unfamiliarity in how to go about engaging with business. Many actors within the social services have very little understanding of how business works or the diverse kinds of resources it can provide. The same could be said that many business stakeholders know very little about the range of activities in the social services and the value they could add to a business. Potential partners in both sectors might be more open to the opportunities that a partnership could bring, if they have a reasonable assurance that their collaboration does not become a panacea to all social problems.

In this thesis the focus is on examining why some nonprofit organisations have developed integrative business partnerships and others have not. When we think about partnerships to mobilise resources for the social good we shouldn't discount the fact that many nonprofits have paid attention to building integrative partnerships with other nonprofits or government, rather than business. Therefore we need to be cognisant, in studying the organisations that are not in business partnerships, of the other forms of value generating partnerships nonprofits can be engaged in.

2.5 Conclusion

Social service nonprofits in Australia have experienced significant changes in the nature of interaction with government as a resource provider. These changes are mirrored in key transitions in the social service operating landscape. Clearly there are strong resource pressures that have been bearing down on social service nonprofits over past 20 years. This pressure has created an impetus for nonprofits to innovate and find new ways of generating further resources for mission accomplishment.

Social enterprise and business partnership are being advocated internationally and in Australia yet despite extensive profiling and promotion, the take up has not been overwhelming in small and medium organisations. This chapter has defined these practices, explored the rules of engagement and identified the cases for and against. The next chapter examines a broader array of literature that might help explain why there is such a partial take up in the nonprofit social services landscape.

CHAPTER 3 LITERATURE REVIEW

3.1 Overview

Chapter 3 will review the organisational literature in a search for clues to help answer the question of why some nonprofits adopted a social enterprise or business partnership, while others did not. This will involve reviewing research into nonprofit organisations as well as the for-profit organisational studies literature. The complex, context-sensitive nature of social service nonprofit organisations taking up business-focused resource mobilisation strategies required a multi-conceptual approach. Bolman and Deal (1991) refer to the benefits of conceptual pluralism and the integration of multiple voices.

The current literature does not support identifying a single *a priori* theoretical perspective for testing. An inductive form of empirical study is more suited. The chapter overviews some theoretical explanations that can frame the research without restricting a grounded theory approach (Glaser & Strauss 1967). Broad theoretical framing, without strictly hypothesising expected relationships, is recommended by advocates of case study research (Eisenhardt 1989; McCutcheon & Meredith 1993; Yin 1993; MacNealy 1997).

The chapter begins with a section dedicated to looking at the innovation literature. The adoption of a social enterprise and business partnership, in the context of this research, involves the adoption of new practices and can therefore be framed as a process of innovation. The review then examines whether adoption is likely to be influenced by an organisation's lifecycle and stage of development. The focus on existing organisations brings to bear the

question of whether adopting these practices is a developmental means to transform operations and avoid stagnation.

The debates about social enterprise and business partnership practices have questioned their practical utility and some have argued that those adopting are doing so due to pressures (mimetic, coercive and normative) being exerted upon nonprofits. Institutional theory allows us to examine this proposition and is therefore integrated into the literature review. Resource mobilisation theory was included, even though it is more suitably applied to social movements, as it facilitates a reflection on whether these practices are adopted to be able to respond to social issues that governments are unwilling or reluctant to fund. Resource mobilisation theory also acknowledges the need for organisations to develop formal structures that can generate adequate resource availability to advance social issues.

Resource dependency theory has been selected for consideration due to the understanding it brings of how nonprofit organisations are embedded in an environment, comprising other organisations that they depend on for the resources they require. The importance of networks and governance arrangements emerged in all of the literatures mentioned above and these aspects are considered at the end of this chapter.

The utility of organisational ecology theory (Hannan & Freeman 1989) was considered for this thesis, particularly its role in understanding organisational change through birth, growth, transformation, and mortality (Hannan & Freeman 1977). The focus of organisational ecology theory tends toward an understanding of internal pressures acting on organisational structure and the role of competition and selection in shaping organisational form.

Limitations of this theory for this current thesis is its primary concern with selection pressures exerting themselves upon a whole population of organisations (Hannan & Freeman 1989) and the application of mathematic models to understanding the density and mortality rates of organisations. The theory involves the application of ecological reasoning to organisations and the analysis of a few variables across the whole organisational population. This is problematic for tackling the current research questions, considering that we do not yet have a large enough population of nonprofit organisations adopting social enterprises or business partnerships; and that we are likely to be interested in many potential variables within a small group of organisations to answer the research questions. For these reasons organisational ecology theory was not considered in greater depth.

3.2 Organisational Innovation

The adoption of social enterprise and business partnership can be understood as a form of innovation because of the characteristics of risk, radicalness, creativity, adaptability and change that these practices potentially bring. Dart (2004) suggests that social enterprise and business partnership differ from the "traditional understanding of the non-profit in terms of strategy, structure, norms, and values and represents a radical innovation in the not-for-profit sector" (p.411). The literature on what influences the adoption of innovative practice is proposed as having merit in understanding the current research problem.

The Macquarie dictionary (1989) suggests that to innovate is to "bring in something new; make changes in anything established". Osborne's (1998a, 1996) overview of the organisation studies literature suggested that innovation is about newness and a break with existing paradigms. Osborne also adds that

it is not the same as invention and can be about a process *and* an outcome. As mentioned previously this research aims to look at innovation within the context of the adoption of new practices in existing organisations, rather than practices being initiated into newly forming organisations.

6 (1993) thought it "strange, even a little embarrassing, that there has been relatively little research devoted to innovation by not-for-profits, and even less about the kinds of policies that funders and regulators might adopt to promote innovation" (p.398). Osborne (1998a) was also critical of the insufficiency of research that addressed the issue of the management of innovation as a process. Osborne's work distinguished boundaries between traditional organisations that "concentrated upon providing their existing service, or range of services, to their existing beneficiary group" (p.105) and innovative organisations that create new services or service new client groups. A question of interest is whether adopting a social enterprise or business partnership actually translates into new services or servicing new client groups or if it involves additional resources to top up existing services. This falls within the ambit of understanding the consequences of adoption.

Verloop (2004) refers to two types of innovation: 'outside-the-box' and 'inside-the-box', which are distinguished from each other on the degree of change required and the process to be adopted. Outside-the-box innovation represents "game-changing innovation to create change for strategic reasons or in response to changes in the business environment" (p.xviii). Inside-the-box innovation is about incremental change within an organisation. Social enterprise and business partnerships would be classified as 'outside the box', particularly for organisations that are newly adopting these practices rather than being seen as processes of ordinary organisational development.

In reviewing the organisational innovation literature one can only broadly predict propositions that might apply to the innovation processes within this research, as the reported findings identify divergent possibilities. Wolfe (1994) drew a similar conclusion following a review of the literature over a decade ago. Leaving aside the argument of the difficulties of conducting cumulative academic research across multi-disciplinary areas and divergent paradigms, the very complex, context-sensitive nature of innovation makes the goal of developing a systematic grand theory problematic. As pointed out by Wolfe, innovation is by its very nature about the unique not the general.

Like the study of entrepreneurship, the vast majority of the work on innovation to date has focused on the for-profit context. This can create challenges when applying this literature to the nonprofit domain. Fortunately some significant nonprofit contributions have been made and will be drawn on to supplement the findings from the for-profit context. For-profit innovation research can be conceptualised as three types: product, process and organisational (6, 1993). It can also be conceptualised in three streams: diffusion of innovation, organisation innovativeness and process theory models (Wolfe, 1994). In the nonprofit sphere Osborne (1998a) talks of four types of study in the human service literature: innovation as policy; innovation in the organisation of social services; innovations in specific social policy fields and the nature and process of innovation.

This current research is aligned with the process stream. Wolfe (1994) suggested that using such an approach is germane when one is interested in "how and why innovations emerge, develop, grow, and (perhaps) terminate" (p.409). As is the case with this research there is also an interest in why the practices may not develop at all. Process theory lends itself to inductive research.

Both Wolfe (1994) and Rodgers (1995) have reviewed literature that suggests an innovation process has identifiable stages. The process theory model of innovation simplifies the process into a series of sequential stages. From the organisational perspective, adopting a social enterprise or business partnership would firstly require awareness and agenda setting, then matching the practice with the organisation. This would be followed by an implementation stage, and then some clarifying and refinement of the practice, until the final stage where the practice would be routinised and infused within the organisation. The findings to date are inconclusive regarding the degree of stages and their sequencing. Wolfe noted Ettlie's (1980) research that suggested that the degree to which stages occur in a predictable order is "dependent upon the nature of the innovation being studied and its source" (1994, p.411).

Process theory models have tended toward developing a product, whereas we are concerned with a nonprofit adopting a business-focused practice. In thinking of the research problem, it is possible that the non-adopters have a lack of awareness or agenda setting within the organisation regarding considering new forms of resource mobilisation. Alternatively, agreement to adopt a social enterprise or business partnership may have occurred but there may have been problems in the matching the innovation with organisational realities.

Individual, organisational and environmental categories are commonly used to explain innovation. Damanpour's (1991) meta-analysis identified organisational variables as the most widely studied. The literature suggests that organisational arrangements may be important in order to increase the innovative potential of an organisation, and that there may be structural consequences of innovation. It is possible that those nonprofits that adopt social enterprise and business partnerships devise a structure that allows them

to do so or end up with an altered structure as a consequence of adoption. Drucker (1974) emphasises in the quote below the importance of creating organisational capacity to develop new practices:

> Innovative organisations realise that one cannot simultaneously create the new and take care of what one already has. They realize that maintenance of the present business is far too big a task for the people in it to have much time for creating the new, the different business for tomorrow. They also realize that taking care of tomorrow is far too big and difficult a task to be diluted with concern for today. Innovative organisations, therefore, put the new into separate organisational components concerned with the creation of the new (p.799).

A possible critical barrier that prevents non-adopters developing a social enterprise or business partnership is that the task would be an overload on top of their core business. It is possible that the adopters have structured some of their organisational capacity to devote to the task. The literature concerning fostering innovation in nonprofit organisations commonly emphasises the need for strong organisational capacity (Letts, Ryan & Grossman 1999) in addition to sound governance, networks and entrepreneurial skills (Hauser Center for Not-for-Profit Research 2000).

Another organisational variable important to innovation is size. Organisational size has been identified by Rodgers (1995) as being positively related to innovation because of a number of associated factors that can lead to innovation, such as greater total resources, availability of slack resources and access to technical expertise. These factors are more likely to be found in larger organisations. Perhaps small and medium organisations successful in adopting a social enterprise or business partnership have developed the means to access such factors, despite their size; though an absence of enabling factors is possibly

why many smaller organisations are not adopting. It certainly appears that large charities are fairing better than the smaller nonprofits in developing social enterprises and business partnerships. Size will need to be controlled for in the sample selection for this research.

There are mixed views about the role organisational culture plays in determining innovative capacity. Osborne (1998b) found none of the dimensions of culture he tested were identified as influential in explaining innovative capacity. The effects of culture seem contingent upon such things as the external environment or the institutional framework. However from Rodger's (1995) work, it could be proposed that practices such as social enterprise and business partnership are more likely to be adopted by organisations when such activities are consistent with the organisation's existing values, past experiences and current needs. If the practice is seen as incongruent to the cultural values of the organisation, then the process is likely to be blocked and if it is in alignment it is more likely to be adopted. Culture dichotomy has been identified as inhibiting business partnership development in Australian organisations (Murphy 2000).

An organisation's strategic positioning within its environment has significant distinguishing power on innovation. However Osborne (1998a) found relationship with service users as non-significant in influencing innovation capacity. The complexities of the environment and key sources of funding seem to be important variables. In relation to funding source it would seem that stimulating competition and market type behaviours in the nonprofit sector does not necessarily result in service innovation. The extent that an organisation operates as an open system that interacts within the communities they are positioned in is more important. The role of external stakeholders has been reported by Osborne and Flynn (1997) as just as critical in prescribing the

types of innovative practices that nonprofit organisations engage in, as the prescriptions an organisation sets itself. They specifically looked at the influential role government funders' hold.

Osborne and Flynn (1997) found organisations that were more innovative were also those that received predominately government funding in addition to having income from other diverse sources; they suggest two reasons for this. Firstly the combination of funding stability *and* having some 'slack' resources allows an organisation to innovate and secondly the strategic intent of government may be such that innovation is set within a policy framework.

Institutional forces were hypothesised by Osborne (1998b) to create legitimising events or processes that in turn pave the way for innovative practices to be taken as either enabling or constraining. For instance, new government funding initiatives may use criteria that positions positively or negatively social enterprise or business partnership. This would in turn reinforce whether these practices are taken as enabling or constraining by the organisations in the field that the funding initiative applied. Another legitimising process concerns the way innovation may be construed and reinforced by key players in the social service system. As discussed in the previous chapter, governments in various countries are promoting policies to encourage the growth of social enterprises and business partnerships.

Osborne's (1998b) research suggests environmental effects operate in complex ways that might push organisations toward innovation. Osborne commented that:

> It has been suggested that this environment provides the *milieu* in which the innovative potential of VNPO [voluntary not-for-profit organisations] can be realized, but not because of the competitive nature of this environment. Rather it

> concerns the extent to which these organisations are prepared or able to be open to this milieu in achieving their mission-critical goals (pp.144-145).

Thus the state of re-configuration using social enterprise and business partnership might be a response to environmental distress in facing rationalised government funding as well as possibly seeking more powerful means of social change.

Osborne (1996) suggests distress may serve as a potent stimulus to innovation. Innovation can be a response to unforseen opportunities that emerge and "an ability to respond to these [opportunities] is as important as the ability to stimulate innovation in the first place" (Osborne, 1996, p.78). He adds that even where innovation is planned for, it is likely to unfold in an emergent way. It is likely that the adopters are in a position to more actively manage the environment, with the line of sight on outcomes relating to their mission. There are likely to be a range of variables that support an organisation's ability to do this.

The ability for organisational actors to boundary span as a means to manage the environmental milieu is likely to be important. Harris and Jackson (1999) suggest the presence of organisational actors that can "act within and across established organisational boundaries, winning support and resources and pursuing an innovative vision" (p.32) is necessary in developing innovation. This theme will be expanded upon further in the network and governance section below.

Researchers have drawn attention to the role of individual actors in encouraging innovation, while stressing the importance of organisational context in which they are located. Osborne (1996) found innovation champions

played an important role but they are "embedded in their organisational context which constrains and enables their action" (p.78). For instance there are likely to be unwritten rules and rituals that enable and constrain activity. Osborne and Flynn (1997) caution against attaching high significance to the role of strong individuals, they suggested that such individuals are an important, though not a necessary condition for stimulating innovative capacity. It is possible that in under some circumstances champions may direct their energy to other organisation tasks, other than developing new processes.

A segment of the innovation literature focuses at the level of the individual emphasising the importance of behaviour carried out within the organisation's structures and environment. For example, although an area of mixed findings, the literature presents some link between innovative capacity and the specialisation of job roles. Osborne's (1998b) research showed that having specialised administrative support frees up workers, allowing them to develop new processes. This is particularly important as social service nonprofit organisations are often funded for direct service delivery with little resources provided for operational or administrative support. On the other hand some organisational theorists report that multi-task roles lead to innovation (Carmichael & Macleod 1993; Fischer & Fischer 1998).

Decision-making process are said to explain the adoption or non-adoption of an innovation (Rodgers 1995). Important decision-making elements that could apply to this current research include understanding how knowledge and awareness on business-focused practices are acquired and the impact on adoption and implementation. Rodgers' summary of the research literature identified that knowledge about an innovative practice occurs earlier for those with higher levels of formal education; greater social economic status; increased exposure to mass media and increased social participation. Communication

channels such as networks, interpersonal contacts and media also play a role. Innovation is also likely to require faster decision-making capacity than often found in consensus driven nonprofits with community-based structures (Murphy 2000). This leans us toward the proposition that adopters are more likely to have social actors with higher status and greater networks and an ability to make decisions quickly.

In relation to individual agency, it would appear from the innovation literature that self-efficacy plays an important role in innovation adoption and development (Greene, Bush & Hart 1999). Knowledge, skill and/or experience of the organisational actors may facilitate or inhibit – consciously or otherwise - an uptake of new processes. The business literature has paid particular attention to a leader's role in this. Copey, Keegan and Embler (1998) emphasised the role self-efficacy plays in providing a platform of confidence that innovators utilise in launching something new. A proposed consequence of having actors high in self-efficacy is that they are able to confidently act inside and outside an organisation's boundaries. Individual self-efficacy appears to be a cyclical process in that agentive action both shapes an organisation and an agent's identity is shaped in the process (Copey et al. 1998).

A conceptual framework developed by Kusunoki, Nonaka and Nagata (1998) to examine organisational capabilities in relation to innovative product development, could offer some utility for this current research. An organisation's ability to recognise the "value of new, external information, assimilate it, and apply it to commercial ends is critical to its innovative capabilities" (Cohen & Levinthal, 1990, p.128). Cohen and Levinthal (1990) suggested that cognitive structures play a critical role in the notion of absorptive capacity. An organisation needs prior related knowledge to

assimilate new knowledge. An organisation's absorptive capacity is built up through the capacity of its individual members.

If applied to the implementation of social enterprise and business partnerships, Kusunoki et al's (1998) model would hold that adopting an innovative practice is dependent on the knowledge base within an organisation. This can to some degree be designable through the choice and control of local capabilities and participating members, for example through introducing businesspeople onto the board or recruiting an executive officer with enterprise skills. What is less controllable under the model is desired change in the knowledge base that may be aimed for through learning enrichment strategies. In the context of this research this could include such things as the training of board members, executive officers or staff in entrepreneurial strategy. It could also involve the importing of consultant skills into an organisation.

Some researchers, rather than focusing on why organisations have succeeded with innovation, have investigated failure stories. Delbecq and Mills (1985) did this and found the themes of ambivalent support, inadequate resources during the fragile initial periods of development, under-resourcing, infighting over resources, parochialism, insulate behind-closed-door thinking, growing too big too quickly and poor commitment from management. These elements might apply to the lack of adoption of a social enterprise or business partnership.

In summary, the innovation literature is useful to frame the adoption of social enterprise and business partnership as a process of introducing new ways of operating into an existing organisation. The innovation literature offers some clues as to the conditions that might influence why some organisations are successfully able to undertake a process of adopting a social enterprise or business partnership whilst others are not. Possibilities include that uptake is

related to variables such as: organisational capacity; elements of governance such as decision-making and influence; networks and the boundary-spanning capabilities of actors; organisational culture including having an entrepreneurial orientation; quality of the relationship with the environment such as the resource landscape and the impact of stressors. Testing the importance of these elements in relation to the current research will be integrated into the research methodology. The next section looks at how the appropriateness to engage in business-focused resource mobilisation might be related to an organisation's life cycle and development.

3.3 Organisational Life Cycle & Development

The literature on organisational lifecycle suggests that an organisation's readiness to engage in particular practices, such as business-focused resource mobilisation, could be viewed within an organisational lifecycle or development perspective (Greiner 1998; Osborne 1998a; Stevens 2001; Anheier 2005). That is, an organisation's ability to adopt a social enterprise or business partnership may be more or less likely at different life cycle or developmental stages. It may also be the case that adopting such practices is a means to facilitate organisational development and growth (Pharoah et al. 2004).

An organisation adopting a social enterprise in the early stage of its inception would not be constituted as a form of innovation (Woodman, Sawyer, Griffin 1993). However, another organisation largely dependent on government grants might engage in a purposeful search to diversify its resource base as a process of re-engineering itself and influencing its environment (Damanpour 1991). This would be a form of innovation as is being identified in this research.

In summarising developmental perspectives in organisation theory, Anheier (2005) identified changes in innovation as an organisation develops. He suggests that innovation is about invention in an organisations early stage of development. As an organisation matures and proceeds through to an elaboration stage of development, innovation becomes about renewal. This research is interested in innovation within established organisations, where it is in the context of a renewal strategy aimed at combating organisational stagnation or death. It is possible that those adopting new resource mobilisation practices have done so in response to a decline, or as a turnaround strategy, or to avoid moving toward termination. Those not adopting are perhaps in a state of homeostasis in their development and focused on mobilising and maintaining resources from government.

Looking from the perspective offered by Stevens (2001) an organisation transits though seven lifecycle stages: the idea, start-up, growth, mature, decline, turnaround and terminal stages. Flamholtz (1986) refers to four stages of organisational growth and defines the critical development area of each stage. The first stage is similar to Stevens' start up stage and is concerned with 'new venture'. The critical development goals are the establishment of a new service and delineating the organisation's area of interest. The second stage is about 'expansion' and the challenge is to acquire resources and create operational systems. The third stage concerns 'professionalisation' and the development of higher order management systems. The fourth and final stage is 'consolidation' where the values and culture of the organisation are bedded down.

Stevens (2001) underscores the need to include an examination of nonprofit capacity within a lifecycle approach. For instance the capacity to adopt a new form of resource mobilisation is inherent in the idea or start up phases. This research will exclude organisations that might be focusing on adopting a social

enterprise or business partnership at the new venture stage, when an organisation is said to be most naturally entrepreneurial due to the valuing of innovation, risk-taking, diversification and the relationship building characteristics of this stage (Bailey & Grochau 1993).

Adoption is more likely to be found in organisations during their mature stage when services have been consolidated and organisations have the space to attend to value-adding activities. To paraphrase Stevens (2001), the mature stage is the optimal stage where an organisation is well established, operating efficiently, and has solid standing in the community for providing consistently relevant and high quality services. In addition, finding innovative ways to mobilise resources is likely to occur in the decline stage when there is a pressing need to explore options to keep the organisation buoyant. An organisation in its growth stage it is more likely to be preoccupied with focusing on consolidating its service delivery practices and managing properly its existing resources. Thus capacity to adopt new resource mobilisation practices will look different from one stage to another.

Pharoah et al (2004) found adopting a social enterprise offer opportunities where organisations "can grow in innovative and dynamic ways" (p.59), though at the same time organisations are in many ways constrained from taking up opportunities for growth because of the government policy environment and also their own internal capacity. It may be that the adopters are in the consolidation stage and have a level of capacity that allows them to seek diversified resource practices.

For an organisation to be successful in adoption of a social enterprise or business partnership they are likely to need operational and management systems, values and culture that support the type of resource practices the

organisation adopts. The management tools required to achieve consolidation include strategic planning, management development and effective leadership (Flamholtz 1986). Alternatively the non-adopters might be in the professionalisation stage, where they are more focused on developing their capacity to professionally manage their government contracts.

In contrast to both organisational innovation theory and organisational development theory, institutional theory proposes less pragmatic drivers for the adoption of these practices. The importance of mimetic pressure is emphasised within institutional theory discussed in the next section.

3.4 Institutional Theory

The literature discussed so far tends to assume organisations are made up of rational actors who would adopt practices, such as social enterprise and business partnerships, for logical reasons. Institutional theory questions this assumption emphasising the importance of psychological, social and political elements in the study of social phenomena and organisations (Scott 1995). Viewing things in a way that questions the rational actor model is often presented as important in nonprofit organisational research, due to the more complex and politicised environment nonprofits operate within relative to for-profits. There are two elements of institutional theory relevant to the inquiry in this thesis. One element relates to how organisations tend to mimic each other in structure and process, referred to as institutional isomorphism. The other element concerns the non-practical elements of organisational actions. Though the two strands are related, they are discussed below sequentially.

In relation to institutional isomorphism, Powell and Freidkin (1987) provide a useful account of institutional theory in framing organisational change in nonprofit organisations. They refer to DiMaggio and Powell (1983) who state:

> many aspects of organisational change can be explained as a result of institutional isomorphism – processes that lead organisations in specific organisational fields to become more similar to one another over time, without necessarily becoming more efficient (p.182).

DiMaggio and Powell (1983, p.81) refer to three mechanisms through which institutional change occurs, each with its own antecedents: (1) *coercive isomorphism* that stems from political influence and the problem of legitimacy; (2) *Mimetic isomorphism* resulting from standard responses to uncertainty, and (3) *Normative isomorphism,* associated with professionalisation. These types are found to not always be empirically distinct. In addition to these mechanisms is the process of institutionalisation.

DiMaggio and Powell (1983) suggest that institutionalisation unfolds through a four-part process involving: interaction among organisations in their field; development of structures of hierarchy and partnership between organisations; "an increase in the information load with which organisations in a field must contend; and the development of a mutual awareness among participants in a set of organisations that they are involved in a common enterprise" (p.79). The forces driving these processes (government, competition, professionalisation) lead diverse organisations to being structured into an organisational field and similar to one another over time.

Scott (1987) discussed the power of norms that act in legitimising ways when shaping organisational architecture, how planning cycles are conducted is one example. For instance Scott distinguished the financial year planning models

used by state funded nonprofit social service organisations to tie in with government funding cycles. Alternatively Scott identified corporate strategic planning tend to be used by art organisations that are predominantly business funded. Thus clusters of organisational fields were found to produce homogeneity in their structure, administrative practices and procedural rules as a result of legitimising influences in the environment.

Applying institutional isomorphism to the case of nonprofits adopting business-focused resource strategies in Australia would be to suggest a number of propositions. One is that nonprofit organisations are being coerced by the political landscape and the need to gain legitimacy in it, which is pro self-sufficiency. Another that nonprofits are mimicking the larger business directed charities that have high legitimacy with government. A further proposition is that adoption is being influenced by the professionalisation of the social services and the introduction of competition policy and purchaser-provider government contracts, which normalise business practices and principles. Finally there is the possibility that the spread of adoption would be facilitated through interactions between nonprofits, for example through interagency meetings and normalising events such as conferences.

Galaskiewicz and Bielfeld (1998) did find that organisations mimicked those deemed successful in the organisational field, and that becoming more legitimate is an adaptation to an uncertain environment. The defining characteristics that get legitimised in a field are likely to be associated with organisations that hold prestige and dominance within the field. It does appear that in Australia the early adopters of social enterprise and business partnership are the large national charities that have high legitimacy, in terms of being selected as 'critical friends' to represent social service interests, in a number of high level federal government round tables and think tanks. Thus these role

model organisations are likely to facilitate an " 'institutionalized mind-set' – widely shared assumptions about what the organisation should look like and how its work should be performed" (Galaskiweicz 1985, cited in Powell & Freidkin, 1987, p182). Many social service conferences in Australia have had representatives from the larger charities sharing their positive experiences of running a social enterprise and business partnership.

Within institutional theory, the growth of this institutional mind-set is facilitated by the flow of information across the field. In relation to the topic at hand, institutionalisation could be seen to be encouraged through a range of activities such as elite business partnership awards and promotion of business-focused practices as good practice and essential to building sustainable, independent organisations. Another mechanism for diffusion is through the interaction and relationship development among organisations, for example through what the Social Entrepreneurs Network was previously doing. However if institutional theory were to hold true you would expect to see great levels of adoption across the nonprofit field in response to these isomorphic influences than is currently the case.

Powell and Freidkin (1987) propose that organisations perceived as not adhering to growing norms lose legitimacy. For example those not engaging in business-focused activities could become defined as non-innovative. From within an institutional framework they could lose their accessibility to financial resources and not only those provided by government. Thus legitimacy can have a seemingly practical side, though institutional theory places emphasis on the non-rational elements of organisational actions.

Institutional theory's point of emphasis is the context in which rational actions unfold. For example adoption of a social enterprise or business partnership

might be shaped by elements such as the regulative environment, normative practices and cognitive structures that are carried along by culture, structures and routines. Different theorists emphasise different elements and carriers. For example some view institutions primarily as regulatory systems shaped by rules, laws, governance and power systems, compliance and obedience routines. Others emphasise the normative aspects of institutions prioritising values, expectations, regimes, authority systems, conformity, and performance of duty as the basis for shaping social order within institutions.

Many of the nonprofits studied for this research are early adopters in the move toward developing news goals or practices pertaining to business-focused resource mobilisation. However as pointed out by Selznick new practices can become, "infused with value beyond the technical requirements of the task at hand". This is added to by Scott (1995) who points out that, "Behavior is guided not primarily by self-interest and expedience, but by an awareness of one's role in a social situation and a concern to behave appropriately, in accordance with others' expectations and internalised standards of conduct" (p.15). Such influences that organisations respond to can often be counter-productive to what actually leads to tangible results. For example, the adoption of social enterprise and business partnership could be seen as an environmental adaptation in relation to power and politics, rather than rational-purposive influences, such as building a more diversified bottom-line. Following this line of argument is to propose that whilst an organisation may appear to outsiders to be acting in a practical way, the underlying driver is to gain acceptance and standing as a precursor to rational decisions.

This issue of organisations making non-rational choices has been argued by Dart (2004), specifically in relation to social enterprises. Dart presented social enterprises as fads influenced by the pro-market socio-political environment.

Dart suggested that such an environment places business-like models and market based solutions as most acceptable in terms of an organising principle. Therefore the development of social enterprise by nonprofit social service staff is carried out from a motive that is not founded on effectiveness and efficiency. Using an institutional perspective, adoption of social enterprise and business partnership may occur despite the fact the arrangements may not yield substantial resources or mission accomplishment, relative to input and distraction from other elements of service delivery.

Social enterprise and business partnership could be viewed as a rational strategy to deal with a turbulent environment and funding challenges, through generating additional revenue in business terms. Institutional theory proposes that while an activity such as diversifying an organisation's resource base might seem pragmatic, it would be adopted to gain legitimacy in the organisational field. This could serve to protect existing resources or increase success in securing new ones, particularly from government. On this point, Dart (2004) suggests that nonprofit dependence on external agencies for resources, means their organisational practices are driven by the priorities of these external agencies. Thus organisations are required to appear legitimate according to the criteria of their funders even if it means taking action that may not be rationally pragmatic.

Organisational actions taken to align with institutional trends might include acquiring professionals or creating new structures in order to be viewed more favourably rather than for purely rational purposes (Powell & Freidkin 1987). Focusing on legitimising influences rather than tangible opportunities could lead to performance gaps that are posed by Zaltman, Duncan, and Holbek (1973) as discrepancies between what an organisation could do by virtue of a goal-related opportunity in its environment, and what it actually does in terms

of exploring that opportunity. The current research will probe to what extent the process of introducing new resource acquisition strategies are goal related, and/or an attempt to conform to field norms or gain legitimacy and acceptance.

A common criticism of institutional theory is that it neglects to account for how different trends, practices or structures that diffuse through an organisational field actually originate. The theory also is weak in explaining the determinants that cause a variation in levels of sameness across an organisation field (Tolbert & Zucker 1996). Tolbert and Zucker suggested the need for reconciling between the institutional model of organisations and the rational actor model. The authors suggested these two orientations sit at distant ends of a continuum with the latter model espousing efficiency maximising notions of behaviour and the other painting a picture of "over socialised individuals [that] are assumed to accept and follow social norms unquestioningly, without any real reflection or behavioural resistance based on their own particular interests" (p.176).

Despite the inherent limitations of institutional theory it is often reported to hold utility when it comes to causal explanations concerning phenomena relating to nonprofit organisations (Glaskiewicz 1997, Osborne, 1998a). Galaskiweicz (1997) for example found institutional theory is best able to explain corporate contributions to nonprofits. The current research will assess the value of institutional theory to the current topic following analysis of the results; this will be reflected on in the discussion chapter. This next section looks at resource mobilisation theory.

3.5 Resource Mobilisation Theory

Resource mobilisation theory developed in association with social movement theory, which specifically emphasises the capacity of movements to generate resources during the implementation of social action so that goals are achieved. Canel (1997) summarised resource mobilisation theory and suggests there are two main models: the 'organisational-entrepreneurial' model (McCarthy & Zald 1977) and the 'political-imperatives' model (Oberschall 1973; Tilly 1985). This research is aligned with an organisational-entrepreneur model due to its focus on understanding innovation in mobilising resources within socially focused organisations.

The caveat with using this theory is that it developed with social movements in mind, that is, collections of people responding to newly emerging social issues outside the mainstream at the time, such as women's liberation, Indigenous people's rights and gay rights. The focus is therefore somewhat different to more formal nonprofit social service organisations providing services for well-accepted causes. Also, the research effort and literature development is somewhat limited, and yet despite these caveats the theory offers pertinent messages applicable to the adoption of social enterprise and business partnership by nonprofit organisations.

Resource mobilisation theory gives significance to contextual processes such as resource management decisions and organisational dynamics. These facilitate the structural realisation that enables change and goal accomplishment. For instance an aim of resource mobilisation theory has been to place the striving to achieve social mission within an institutional context. Therefore organisation governance and leadership are important, as it is through these mechanisms that strategic choices are made. A number of ancillary propositions are said to

expand the explanatory power of resource mobilisation theory (Foweraker 1995). The propositions are that dense social networks make mobilisation more likely, diversity in resource mobilisation approaches yields prosperity and levels of prior social organisation influence the degree and type of mobilisation.

New forms of mobilisation are said to be more likely to occur when the need for action is urgent. Fireman and Gamson (1979) suggest urgency is a function of necessity and opportunity. Where there is a lower chance for actors to realise their own interests through resource mobilisation, the necessity for action tends to decrease. Alternatively, opportunities for resource mobilisation increase when there are chances for actors to promote or protect their own interests through the process. It is possible that adopters are more likely than non-adopters to have an urgent need to diversify their resource bases and see social enterprise and business partnership as a means to advance their social and economic interests.

Resource mobilisation theory emphasises the importance of having people who possess entrepreneurial skills to build capacity to deal with government, private sector and media, in order to mobilise resources for a social cause. Nonprofits adopting a social enterprise or business partnership are likely to be facilitated by having resourceful actors within the organisation or networked closely with the organisation. This might include having businesspeople on the board, an executive officer or staff with business skills, or formal networks with the business sector.

Resource mobilisation theory highlights a potential problem with resourceful actors - those who have the capacity to contribute resources to the organisation – is they may incur associated costs for the organisation that can reduce the worth of the resources provided. For example, whilst a businessperson on the

board might facilitate linkages to a business partnership, the businessperson might try to use their position on the board to concentrate on promoting the profile of their business, to such an extent that the costs to the nonprofit organisation outweigh the resources received. This is referred to in resource mobilisation theory as the 'free rider problem' (Olsen 1965).

Fireman and Gamson (1979) specifically critique the free rider problem. They suggest that resourceful actors may participate on the basis of solidarity and principle, rather than incurring costs in exchange for their resources given. This point of distinction is an important one; particularly for this research where we are looking at how engaging with businesspeople might assist a nonprofit organisation to expand its resource base beyond government. The need to consider consequences in the research is raised through this point.

Canel (1997) suggested that a weakness of resource mobilisation theory is that it over-emphasises the rational-instrumental dimensions or the *how* of social action. Foweraker (1995) reported similar critiques of the theory being an economic model of human agency that downplays social context. Scott (1991) and Buechler (1993) argue for the need of resource mobilisation theory to include cultural aspects in conjunction with rational purposive perspectives. Incorporating social context dimensions could include considering how opportunities are socially perceived and that for some organisations their social mission may limit their resource opportunities. It might also lead us to think that grievances with the current third party funding system create fertile ground for the development of social enterprise and business partnership. These alternate resource strategies may act to support socially focused activities that are poorly resourced due to not being supported by governments.

On balance, resource mobilisation theory offers utility in understanding why some nonprofit organisations are more readily engaging in new forms of resource mobilisation. It reinforces the importance of networks, governance, organisational arrangements, access to entrepreneurial skills, urgency to diversify and managing free rider problems when engaging with resourceful actors. The next section continues on this theme of understanding organisational differences in how to acquire and maintain resources. The following section specifically focusing on resource dependency theory that explains how organisations are embedded in an environment comprising other organisations that they depend on for the resources they require.

3.6 Resource Dependency Theory

Pfeffer and Salanick (1978) developed a resource dependency theory of organisations that accentuates external control mechanisms and questions assumptions of organisations being autonomous and self-directed entities. The theory accentuates the interdependency organisations have with their social environment and how available resources, and their claim on them, shape this interdependency. Survival is therefore not only about efficient internal functions and actions but an ability to adjust, cope with, and shape the resource environment. In instances of complexity and uncertainty Pfeffer and Salanick specify the importance of political action, growth strategies, diversification, management succession and inter-organisational linkages as a means to reduce resource dependency, enhance power and advance organisational goals.

An organisation that is effective in achieving sustainability is defined through its capacity to attract resources and its ability to survive (Pfeffer & Salanick 1978). Securing stability via freedom from dependence and uncertainty is necessary for survival (Heimovics et al. 1993). Therefore in order to achieve

autonomy and survive, an organisation has to manage conflicting external demands and the interdependency involved in resource acquisition. Organisational reengineering is facilitated when the supply of a resource is not assured or resources are exchanged with one of a few dominant organisations.

Pfeffer and Salanick (1978) emphasise the importance of how organisations construe the enacted environment, that is, how social actors define the world around them through a representation built on human beliefs. It is likely that the adopters and non-adopters have different enacted environments in the way they perceived their level of resource interdependence and wish to manage it by perusing control of resource flows. Adopters are likely to have chosen to pay attention to decreasing reliance on a single critical exchange from government. From within resource dependency theory the act of adopting a social enterprise or business partnership could be seen as a demand for greater certainty and the quest for discretion and autonomy in resource management.

Resource dependency theory has been a common frame from which to view nonprofit organisations, because of their complex positioning in a web of other agencies' power and politics. Pfeffer and Salanick (1978) reported Aiken and Hage's (1975) study on joint ventures in social welfare organisations and found that the type of organisations that sought to overcome resource limitations were the more professional and complex organisations. It may be that the non-adopters are not as strongly professionalised and that this may be required to adopt business-focused resource management. The adopters on the other hand are perhaps more likely to have gained the right mix of entrepreneurial skills to create a new relationship with the resource environment. Executive succession and the introducing of an executive officer with business skills could be a

mechanism to manage the move away from government dependency and bring the organisation into alignment with an entrepreneurial environment.

Galaskiewicz and Bielefield (1998) examined the utility of resource dependency theory in relation to their twin city study of organisation change, suggesting that within this framework "the use of specific tactics will depend upon where an organisation gets its resources" (p.126). Where strong market type forces are at work they proposed one would expect to find strong output controls such as a focus on the profile and marketing of the organisation. Alternatively, in instances where there is reliance on external donors including government, they proposed there should be strong process controls in place where the focus is on legitimacy and conformity to rules and donor preferences. Thus in resource dependency theory an organisation will do what they need to do to secure resources in their niche. Galaskiewicz and Bielefield found that an organisation does take on a certain style or character over time in association with where resources are extracted.

6 and Leat (1994) have expressed concern that Pfeffer and Salanick's original vision of an "active organisation" (p.9) has deteriorated into a view of an organisation being a passive entity at the mercy of those controlling the purse strings. They have also been concerned by the evolution of resource dependency theory toward an economic frame that has tended to view behaviour purely through the question "where's the cash coming from?" (p.8). 6 and Leat suggest that the assumptions that the amount of resources an organisation has correlates with an organisation's degree of independence, and that diversifying income leads to independence, are flawed. Thus efficiency and/or profit may not be the dominant reasons that cause a shift in organisational boundaries in a resource dependency framework.

Resource dependency theory in its pure form is not solely focused on the external. It proposes to explain divisions of power according to who has control internally over resources, offering both extra and intra organisational dynamics as part of its analysis. The theory proposes that members of an organisation that have competencies most able to draw in resources, will be apportioned the greatest power (6 & Leat 1994). The increased legitimacy of social enterprise and business partnerships in recent times could see members with competency in market economy and business rhetoric and acumen, increasingly apportioned greater desirability and status within the governance function. This may be different between organisations depending on their targeted resource base and security of that base.

Resource dependency theory positions human processes such as perceptions and values as important in an organisation's relationship with the external environment. The blending of internal and external controls creates an intermingling of subjective and objective influences. Though there is a dependency on the external environment this does not have to mean that an organisation is totally passive and uniform in its response. Organisations may resist external influences and seek to shape the environment or influence the resource base (6 & Leat 1994). To some degree the move toward business funding sources by nonprofits could be seen as a combination of internal value shifts and external restrictions in funding sources, such as from government. A theme to be explored is how critical businesspeople may be in creating new resource opportunities on the organisation's behalf.

Within the resource dependency theory framework, social enterprise and business partnership could be viewed as means for an organisation to achieve structural differentiation in response to demands by external interest groups. It is the governing body's job to analyse external demands associated with their

dependency, in order to design an organisational response. They also have a discretionary role where they might alter the environment through partnerships rather than simply change themselves in order to respond. How actors involved in governing nonprofit social service organisations manage an innovation process of resource mobilisation, through changing governance models and divisions of labour, will be considered in the research.

In analysing the applicability of the theory to the topic at hand we take heed of some other valid criticisms provided by 6 and Leat (1994) of some basic flawed assumptions underpinning nonprofit resource dependency theory research. These include: an exclusive view of resources in monetary terms; viewing organisations as unitary entities rather than considering the different layers and types of actors within; and the crudeness from which the relationship between resource acquisition and activity or output is seen. These areas will be addressed in the research by exploring more resources than merely money and through involving various actors from different layers of an organisation in the research process. We now turn to examine the role networks play in distinguishing why some adopter organisations might be engaging in business-focused resource practices and others are not.

3.7 Network Theory

The literature suggests that adopting a social enterprise or business partnership is likely to require key social actors in an organisation to have a boundary-spanning role, not only horizontally but also vertically, to maximise opportunities for resource acquisition. A nonprofit's complex position in the "intersection of competing institutional spheres" (Alexander, 1998, p.273) between market and state, and the nature of its mission, makes it particularly reliant on the power of networks and exchanges in conducting its work and

drawing upon resources, information and legitimacy. Mimetic processes acting through social networks (Galaskiewicz 1997, Galaskiewicz & Wasserman 1989) and the relative power of different parties in a relationship may influence whether an organisation is able to successfully adopt business-focused practices or is precluded from them.

Brass, Butterfield and Skaggs (1998) define a social network as "a set of actors and the set of ties representing some relationship – or lack of relationship - between the actors" (p.17). Within a social network perspective, the focus is on relational systems rather than the attributes of individuals or organisations to explain organisational phenomena. Particularly important is the interdependence of actors and "how their positions in networks influence their opportunities, constraints, and behaviours (Wasserman & Galaskiewicz 1994)" (cited in Rowley, 1997, p.894). Relationships may be defined through a number of dimensions: strength (strong/weak); multiplicity (asymmetry, status); direction (vertical, horizontal) and structure (centrality, density).

Research that focuses on networks has received increased attention in the organisational studies literature with the growth in strategic alliances and partnerships, and the complexity surrounding ingredients for their success. Nohria (1992) presented five premises underpinning a network approach (p.43):

1. Social networks are the fabric of organisations;
2. Environment is a network of other organisations;
3. Attitudes and behaviours are influenced by the positions in social networks;
4. Actions can shape networks and a circular relationship occurs where the networks also influence actions; and
5. Comparative analysis between organisations needs to take into account network relations and characteristics.

If these premises hold true then we can expect to see social networks as important to the emergence of social enterprise and business partnership. We would also expect to see networks enhanced as a result of the adoption of these practices.

Network theory appears to offer the most appropriate framework for explaining the process of strategic alliance formation, evolution and dissolution in business services (O'Farrell & Wood 1999). Rindfleisch and Moorman (2001), in an overview of the inter-organisational relationship literature, showed that in developing new alliances success is related to the degree of strength an organisation has with its partners. This might apply to the successful development of business partnerships in nonprofit organisations. They also looked at the influence social structure had on information flows among social actors, and one's motivation to engage in information exchange. They contrasted this with findings relating to inter-individual networks, typical of strength-of-ties research. Rindfleisch and Moorman identified a contrariety between findings that relate to ties between individual actors and those between inter-organisational actors. Their work questioned some of the previously held assumptions such as, "weak ties serve as important bridges through which information is transmitted (e.g., Frenzen and Nakamoto 1993; Granovetter 1973)" (p.9).

Relating Rindfleisch and Moorman's (2001) findings to this current research, one could suggest that within an inter-organisational context, strong ties are more likely to serve as a bridging function for innovative knowledge transfer than weak ties because of their higher level of relational embeddedness and lower level of knowledge redundancy. However, some social capital theorists argue the direct opposite, that strong social ties exert normative pressure that encourages conformity to the *status quo*. If we look at the research problem at

hand, strong ties between nonprofit organisations that view business-focused practices as bad might exert a pressure to stay within the realm of traditional government funded means of obtaining resources.

Social network theory can provide a valuable framework for understanding how communication flows through the contacts that social actors maintain with one another, and how this impacts on the adoption of innovation. Communication flows through network contacts appear related to trust (Gulati 1995) and the nodal position of actors in the whole social network of communication. The quality of communication and level of trust between nonprofit and business sector members is likely to have a significant effect on the development of productive ties between those sectors. The network positioning of board members, executive officers and staff may impact on how successfully nonprofits adopt social enterprise or business partnerships. It is likely that organisations with strong, multiple, dense ties with the business sector are more likely to adopt business-focused practices.

It seems there is a need for social actors to bridge both intra- and inter-organisational networks (Manev & Stevenson 2001). Ties between social actors at the different levels of an organisation – board, management, staff – need to be considered within the context of networks with actors from outside the organisation. For instance, a nonprofit staff member might have a strong tie into the business community but a weak tie with their board, which might limit the potential that could be harnessed from this network.

The knowledge-industry model of organisations identifies the importance of specialised knowledge and the building of networks comprising knowledgeable individuals. These networks are characteristically voluntary and reciprocal. Business partnerships could be seen as a response to the growing complexity

and competitiveness in acquiring resources and the increased emphasis that is placed on business knowledge in the production of goods and services (National Institute of Economic & Industry Research 2001). Business knowledge and skills could be transferred into the nonprofit through such a partnership whilst synonymously; social science skills could be transferred into the business to assist in managing its social responsibility agenda. However it is possible that both nonprofits and business might see that they can provide relatively little complementary knowledge between each other and therefore have little incentive to share their knowledge.

The research will consider whether organisations with strong networks with business stakeholders are more likely to uptake social enterprise and business partnerships. The next section explores the relative importance of governing boards in managing the resource flows and opportunities of nonprofit social service organisations.

3.8 Organisational Governance

A review of the nonprofit governance literature was included in this thesis because governance is reported to be important in responding to resource mobilisation needs in nonprofits (Middleton 1993). In fact normative expectations espoused in the nonprofit literature are that boards, and to a lesser though growing extent the executive officers, have primary responsibility for resource mobilisation. However normative expectations have not always been found to match realities (Middleton 1987) and malfunctions can be as common as effective functioning (Drucker 1990). Whilst there isn't extensive literature that specifically details the relationship between elements of nonprofit governance and successfully adopting a social enterprise or business

partnership, the nonprofit governance literature covers two separate though related topics that might influence the uptake of business-focused practices.

One is to focus at a higher level on the organisation's strategic decision-making body, which requires distinguishing between the governance function and the management function in the organisation. This includes the different model of running a board, such as a community management model versus a corporate governance model. The second is to focus more on qualitative aspects of the governance arrangements. This can include a focus on the composition of the board members and their relationship with paid staff, and the skills and experiences of the executive officer and their centrality in the organisation. These areas of focus are reviewed below.

In focusing on the overarching nonprofit governance arrangement it is important to point out that governance in nonprofit organisations is defined as "arrangement for total control, involving who sets its direction, and who monitors and finally takes responsibility for the organisation's performance" (Lyons, 2001, p.17). This is distinguished from management that comprises "the day-to-day exercise of authority and guidance of the organisations, as well as the generation of strategy" (Lyons, 2001, p.17).

Cooper (2005) promotes the importance of balancing a focus on management responsibilities and governance responsibilities, referring to Carver's work (2002) on the dangers of boards being more concerned about how to manage than how to govern. It is probable that adopter organisations have boards that are focused on setting strategic direction in terms of pursuing sustainable resource mobilisation, and are more likely to be handing over the matter of implementation and management to the executive and staff. The importance of this distinction is often highlighted by juxtaposing different models for running

a board, one utilising a corporate governance model, the other a community management model.

A board with a corporate governance model prioritises setting strategic direction, monitoring performance and securing the future of the organisation. The day-to-day management is delegated to the chief executive officer. DiMaggio and Powell (1983) found larger organisations are more likely to adopt a corporate governance model because their culture is said to be more like business. For example larger organisation tend to have greater levels of complexity and formalisation, and are more likely to attract board members with business, legal and financial skills required by the corporate governance model. It is likely that boards from smaller organisations that are strongly activist in their operating framework may not be as ready to adopt a corporate governance model.

A nonprofit board operating a community management model prioritises expressive rather than rational values and ideology in board processes. It also prioritises the inclusion of constituency participation in organisation decision-making and holds a close association with the service delivery functions of the organisation. Thus the board's line of sight is weighted toward the outcomes for the constituents of the organisation, and less on positioning the organisation to build a sustainable future. Whilst these two functions are related, and all boards are likely to attend to both, the type of model can change the emphasis and manner in which opportunities are responded to and pursued. Opportunities are therefore likely to vary significantly based on where a board places its attention.

Though the benefits of a board attending to a strategic approach to resource mobilisation sound practical in theory, McDonald (1993) raised concerns about

the capacities of Australian nonprofit boards, "to engage in wide-ranging and increasingly complex governance functions" (p.17). An organisation's governance structure ideally needs to change to reflect an organisation's multiple and competing environments (Middleton 1993). It is likely that many smaller nonprofits struggle with pursuing resource mobilisation and organisational sustainability, particularly within the competitive and complex nonprofit resource environment of today. Increasingly the resource mobilisation landscape involves managing competition for resources from other organisations, seeking business-orientated opportunities and demonstrating businesslike competency in both the pursuit and administration of resources, including government derived ones.

Both McDonald (1993) and Steane and Christie (2001) present research from which can be surmised why many nonprofit boards might struggle with adopting a social enterprise or business partnership. For instance, Steane and Christie found Australian nonprofit boards are characterised by directors more involved in operational management, rather than strategic direction setting. McDonald presented findings of many smaller nonprofits characterised by board members with limited skills, qualifications and experience of strategic board processes let alone organisational management. Paradoxically despite these limited capacities for tasks such as strategic management of resource mobilisation, the role of nonprofit boards in managing resource dependencies has long been discussed as a significant and expected responsibility (Pfeffer & Salanick 1978; Middleton 1987). However, Steane and Christie did mark that changes in approaches to governance were under foot in Australia. It is an interest of this research to see how far the extent of these changes in terms of being able to support more entrepreneurial practices.

We turn now to the second area of focus, the qualitative aspects of nonprofit boards that might inhibit or support adoption of a social enterprise or business partnership. The Australian nonprofit literature suggests that nonprofit boards tend to have diverse membership. It has been found that nonprofits have a preference for members who hold knowledge about the organisation's services and have altruistic ideology and values, in preference to business, financial management or legal competency (Steane & Christie, 2001). These latter skills are likely to be important for an organisation if it is to be successful in adopting business-focused resource mobilisation. This is an important area to probe in the research and might include questioning whether organisations have businesspeople on their board.

Crimmins and Keil (2003) propose that entrepreneurial management is the single most important influence on whether a nonprofit engages in successful enterprise activities. They suggest that openness to trying enterprise activities on part of the board and paid staff members is essential to the success of any nonprofit business venture. As pointed out by Crimmins and Keil, if individuals in the organization believe such things as "making money is not the proper role for a nonprofit institution, then it is extremely difficult to start and carry through any type of income-producing program" (p.28). Development of an entrepreneurial orientation is likely to require support of both the board and the executive officer. A question to be explored in this research is whether the adopters are more likely to have entrepreneurial skills on the board and/or in the executive officer.

Herman and Heimovics (1994) propose effective nonprofit governance involves acceptance of the centrality of the executive role in the organisation whilst synonymously acknowledging the importance of building board-centred leadership. Earlier work by Herman and Heimovics (1990) found it is often the

executive officers that dominate and strategise, as they know more than their bosses on the board. Herman and Tulipana (1989) also found the organisation's executive officer to exert enormous influence on the effectiveness of an organisation and the functioning of a board. Middleton (1993) found the dominance of executive officers strengthened as the age of funding from government increased because executive officers tend to hold the knowledge of government and legislative process and of the programs being delivered. This theme was also identified by Saidel (1993) who found that as nonprofits transited toward dependency on government grants and having paid staff rather than predominantly use volunteers, boards have increasingly become 'bystanders' leaving responsibility for managing resource relationships centred on executive staff.

It is therefore likely that for adoption of a social enterprise or business partnership to work, the executive officer is either the initiator of the practice or, if the direction comes from the board, they are likely to require the skills and commitment to be able to take the idea forward. Either way they are likely to need to have values congruent with entrepreneurial practice in order to drive such initiatives. It is also likely to be important that regardless of the degree of centrality of the executive officer, that the board and executive officer have a strong coalition to manage the resource environment.

Tsui, Cheung and Gellis (2002) identified how the board-executive relations, in nonprofit human service organisations, must be interdependent if they wish to achieve effective organisational governance. They found tension could arise between the board and executive for a range of reasons, such as executive dominance or board over-involvement. Even equal partnership that equalises power can have its problems. Access and ability to influence resource acquisition has long been identified as a source of board power (Zald 1969) and

as pointed out by Tsui et al (2002), "there is no need to equalise the power, but there is a need to share it" (p.184). Tsui, Cheung and Gellis surmise both boards and executive officers need a strong sense of ownership demonstrated through participation, communication and power sharing. It is hard to imagine how organisations could successfully adopt a social enterprise or business partnership without a healthy interdependence between the board and executive management, and both having the interest and skills to take such practices forward.

It is possible that an organisation's mission would influence the manner in which the governance of an organisation operates (Lipsky & Smith 1989), both in structural terms and process terms. For instance, social service nonprofit organisations in the employment services area might be more suited to a corporate governance model than some self-help organisations driven by volunteerism and strong constituency participation. Many organisations positioning themselves to develop a more diversified resource base may require a restructuring of board membership and replacement of executive staff through succession planning to integrate people able to develop an entrepreneurial focus.

Many organisations are likely to resist heading in a business-focused direction for fear that fiscal concerns might dominate, whilst grass root citizenry concerns would be pushed off the board-executive officer's agenda. A critical challenge for all parties involved in governing a nonprofit organisation is that in adopting a social enterprise or business partnership, there is a need to buffer the organisation from unproductive resource related activities whilst pushing new possibilities that are value-creating for the mission and the organisation's capacity. High performing organisations have been reported to display an ability to manage this tension (Letts, Ryan & Grossman 1999).

A number of important threads have emerged in this chapter from exploring the nonprofit literature in relation to this issue of adopting a social enterprise or business partnership. This next section weaves the themes together providing a framework to guide the research inquiry. It specifies the research aims and presents some tentative propositions built from this first part of the thesis.

3.9 Research Foci

The literature examined offers a range of potential propositions that might answer why some small and medium social service nonprofit organisations are developing a social enterprise or business partnership and others are not. These areas emerged as a result of scanning diverse literature, which for the most part did not directly relate to the explicit adoption of a social enterprise or business partnership by a social service nonprofit organisation. Rather the literature reviewed offers diverse and not always theoretically mature possibilities that required synthesis to arrive at these potentially relevant themes outlined below. It is therefore important that the research process leaves space where interviewees can identify other possibilities that might be influencing adoption that have not yet appeared in the literature. This is aligned with a grounded theory approach where hypotheses arise following empirical investigation rather than be established *a priori*. This approach is particularly important for a body of knowledge where the research and theory development has not adequately been progressed.

The next chapter explains more fully the methodological approach, whereby the experiences and insights of a range of organisational actors within each organisation will be empirically examined to consolidate the most significant variables in shaping adoption or its absence.

The areas that are likely to be impacting upon adoption based on the literature review are listed below. In relation to the list an indication is given (in brackets) where from within the thesis these themes have arisen. The areas include:

- The extent to which organisations in the sample experience **environmental jolts and/or resource stress**. The assumption being that adoption is more likely to have occurred when an organisation has had to come up with new ways of mobilising resources in response to stressors in the environment. It is likely that the adopters are in a position to more actively manage the environment, with the line of sight on outcomes relating to their mission and that there are likely to be a range of variables that support an organisation's ability to do this (*Section 3.2 Innovation Theory; Section 3.4 Institutional Theory; Section 3.6 Resource Dependency Theory*);
- As a response to frustration arising from the **restrictiveness of funding from government** and motivated by a desire to **reduce their dependency on government**. The literature suggests organisations are struggling to meet demand for their services within the amount of support they receive from government and to operate creatively within the conditions imposed in government contracts (*Section 2.2 Nonprofit Social Services in Australia; 2.2.1 Transitions in Government Funding Over Time; Section 3.4 Institutional Theory; Section 3.6 Resource Dependency Theory*);
- **Organisational structural arrangements** will be examined with the expectation that adopters will have moved to modify their structure and ways of working, to be able to diversify resource mobilisation and create a more sustainable organisation. This is likely to have occurred prior to adoption and therefore enabled innovative responses to the resource environment to successfully emerge (*Section 3.2 Innovation Theory; Section 3.4 Institutional Theory; Section 3.6 Resource Dependency Theory*);

- **Organisation lifecycle and development stage** and whether adoption is a strategy to turnaround stagnation and decline. The literature suggests that only after organisations have reached the mature or stagnation phase will they be at a point to explore new ways to renew themselves. It is possible that those adopting new resource mobilisation practices have done so in response to a decline, or as a turnaround strategy, or to avoid moving toward termination. Those not adopting are perhaps in a state of homeostasis in their development and focused on mobilising resources from government (*Section 3.3 Organisational Life Cycles and Development*);
- **The influence of organisational culture**, particularly the values, ideology and operating framework of the adopters compared with the non-adopters. The assumption is that there are likely to have been changes in the organisational cultural framework that have facilitated adoption. The literature suggests that perhaps adopters have a culture that is at least neutral on the question of adopting business practices, if not positively orientated. It also suggests that our non-adopters would be reticent to work with business or integrate business practices in to the organisation (*Section 3.2 Innovation Theory; Section 3.4 Institutional Theory; Section 3.5 Resource Mobilisation Theory; Section 3.6 Resource Dependency Theory; Section 2.2.2 Readiness for Resource Mobilisation*);
- **The role of governance including such aspects as board orientation and governance versus management model, board membership and executive board relations**. The literature suggests that the adopters are more likely to have boards that govern rather than manage, include businesspeople on the board and have an executive officer that takes a central role in resource mobilisation in partnership with the board (*Section 3.8 Organisational Governance*);

- **Strong networks that offer resource mobilisation opportunities.** The assumption derived from the network theory literature is that adopters will have had or will quickly develop networks with the business sector (*Section 3.7 Network Theory);* and
- **The availability of entrepreneurial skills and experience.** The literature suggests that adopter organisations will have senior staff and/or board members that have a strong entrepreneurial flair and or experience (*Section 3.2 Innovation Theory; Section 3.7 Network Theory; Section 3.8 Organisational Governance).*

As highlighted above there needs to be research questions that open up other possibilities that might be influencing adoption that have not yet appeared in the literature. It is also important to consider the consequences, both intended and unintended, arising from adoption. The below points relate to how this will be approached:

- **The consequences of adoption or non-adoption** and whether adoption has resulted in fiscal benefits (increased resources) or non-fiscal benefits (improved standing of the organisation) or both (*Section 3.4 Institutional Theory).* Also whether engaging or refraining in adoption has any deleterious effect on resource mobilisation such as reducing supply from other sources. Finally it will be explored whether adoption has any impact on service delivery functions and results in mission drift versus mission accomplishment.

These areas of focus for the research need a methodological framework in which to be explored. We now turn to consider the topic of methodology in the next chapter.

CHAPTER 4 RESEARCH METHODOLOGY

4.1 Overview

Emerging from the literature reviewed in the first three chapters are some key issues worth considering in designing a methodology that will allow us to explore the topic of this thesis. Firstly, the methodology should address the need for more systematic empirical observations in the area of interest. This should include an examination of negative or null instances of the outcome to avoid the bias of only learning from successful cases of adoption. Secondly, due to the lack of prior systematic research, the methodology should aim to generate theory and lead to a refined set of propositions for *future* hypothesis testing. Thirdly, a case study methodology that looks at organisations in context and considers a mix of data is likely to be most suitable.

In relation to the first point, an important aspect of the research methodology is to explicitly investigate instances where a social enterprise or business partnership had not happened or failed to happen, whether by choice or circumstance, in contrast with instances where such practices had developed. The rationale for making this choice to look at 'negative cases' is that in developing theory it is just as important to look at instances of where a phenomenon hasn't happened, as to look at where it has in explaining an outcome of interest. It allows a search for contradictory, variant, or disconfirming data that can provide a broader perspective on an emerging pattern. Comparing contrasting cases in terms of a presence-absence dichotomy at an outcome level can be useful in identifying conditions that explain the distinction that facilitates the outcome occurring.

The second key message, the notion of generating and refining propositions rather than proving hypotheses, is synonymous with grounded theory research (Glasser & Strauss 1967). Sarter (1988) explains grounded theory as being designed primarily to generate theory from empirical data rather than to validate existing theory through theory testing. In Sarter's own words, "The term grounded theory research, therefore, is used to designate theory and theory development which are grounded in empirical data as opposed to theory that is logically derived. It is theory that has its beginnings in the empirical world" (p.43). This approach was clearly needed to start building a foundation in the nonprofit literature from which theory on social enterprise or business partnership adoption could develop.

In relation to the third point, that suggests the appropriateness of case study research, it needs to be clarified that the methodology has a number of variants. It can involve either very few exemplary cases researched in ethnographic detail, or a moderate number of diverse cases that allow in-depth understanding, but offer some generalisability. It could also include a large number of cases that require a variable orientated survey approach to data collection. The middle approach was considered most suited for answering the current research questions. Such an approach was seen to be able to capitalise on bringing both depth and breadth to our understanding of the conditions influencing nonprofit social service organisations, in their adoption of a social enterprise or business partnership.

Identifying the most valid research methodology involved shifting the author's previously developed epistemological approach (positivist quantitative psychological research) and opening up a new ontology, one that allowed for a holistic, context rich view of the subject matter. The variable orientated survey approach was resisted for two main reasons: one is we don't know enough

about the variables to frame an effective survey instrument; and two there is not a large enough population frame to draw from, as the successful adoption of social enterprise and business partnership is currently the exception not the rule in small and medium nonprofits.

Without moving to either extreme ends of a quantitative versus qualitative continuum on which paradigm wars are staged, it seemed sensible on reflection that the investigation followed a 'mixed method' approach. The researcher in this case is suitably likened to a *'bricoleur,'* "a practical person who works with whatever strategies, tools, and materials are available to piece together an emergent solution to a puzzle or problem" (Beazley, 1999, p.279).

Beazley (2004) proposed mixing methods requires illuminating what is to be mixed and how it is to be mixed. Following Beazley's advice this involved thinking through the type of data collected, logic employed, method of analysis, approach to explanation and, presumed underlying paradigm. In contemplating these options it was clear that the research design needed to be pragmatic in which any data that could address the research aims were seen worthy of consideration.

Mixed methodology is categorised into two primary groups (Caracelli & Greene 1997). Firstly a component design, where methods are used in a complementary or comparative way in parallel with each other with one method taking priority over the other. The second design is an integrated design, where diverse methods are integrated or nested into the research methodology in a holistic way. An example is the collection of qualitative data that is coded and analysed statistically. The research methodology in this thesis fits under a component design.

The qualitative method has taken priority over the quantitative in this research for pragmatic reasons. The 'mixing' was managed by collecting textual and numeric data as well as structured and unstructured data. An inductive logic was proposed to identify the combinations of causal conditions that through interpretive analysis could be shown to produce an outcome.

Ragin (1987) highlighted the difference between research designs that are useful for identifying *necessary* conditions and those that assess the *sufficiency* of casual conditions. The sufficiency design is appropriate to comparative case-orientated research. The aspect of the research that is comparative in nature was modelled on the Qualitative Comparative Analysis (QCA) strategy informed by the work of Charles Ragin (1987). This technique allows for casual complexity represented through a possible combination of significant conditions using algebraic logic to identify which conditions are sufficient to produce an outcome.

Comparative case-orientated research is suited to the study of a small to moderate number of cases in which a defined outcome has occurred. The focus is on what shared antecedent conditions fit together to produce the outcome by comparing and contrasting configurations of conditions (Ragin, 1999). Ragin, Drass & Davey (2003) proposed "QCA offers researchers the opportunity to combine the intensiveness of case-orientated research strategies and the extensiveness of variable-orientated approaches into a single framework" (p323). Ragin suggests QCA challenges the long held assumption that a researcher has to *choose* between intensiveness on one hand and extensiveness on the other.

QCA is not able to assess a net effect, as the underlying assumption is that conditions that are sufficient to produce an outcome combine rather than

compete with each other. As commented by Ragin (1999), "A cause is sufficient if it is invariably (or almost invariably) followed by the outcome; it is necessary if it is present in all instances of the outcome" (p.1227). The more cases worked with, the greater the confidence to distinguish the antecedent conditions. But as pointed out by Ragin (1999) the ability to know cases well and identify casually relevant features declines with an increase in the number of cases. QCA is therefore best as a tool for a medium sized number of cases where a good knowledge of cases can be gained.

4.2 Unit of Analysis

The chosen unit of analysis and explanation applicable to this research is the organisation, thus organisations constitute a case. Organisations that have integrated a social enterprise or business partnership into an existing organisation are referred to as adopters and are compared with organisations that have not successfully adopted new forms of business-focused resource strategies, referred to as non-adopters. Social enterprise and/or business partnerships are the explanatory units from which an understanding of the process of adopting (or not) new organisational forms to mobilise needed resources for mission accomplishment is understood. The literature reviewed earlier identified the weight of these practices as constituting innovation in nonprofit social services; as they are currently 'on the agenda' as pioneering means to achieving social mission and organisational sustainability.

The observational unit is the organisation and the social actors within it; specifically the board, management and staff, as well as the artefacts the organisation generates such as strategic plans and annual reports. These form the means from which to empirically test the research questions and assess what conditions enable innovative resource mobilisation. As established earlier

a "configurational view of case" (Ragin, 1999, p.1225) will be taken that emphasises the different combinations of causal conditions that are sufficient for social enterprise and business partnerships to develop. This allows a multi-dimensional case study view of the organisations, which involves gathering data from social actors, organisational documents and a survey of organisational demographics including organisational needs and how well they are being met.

Figure 1 below depicts the research logic showing the organisation as the unit of analysis. The organisational unit and its sub components are systematically examined to distinguish which casual conditions are sufficient to explain the difference between whether an outcome – social enterprise and/or business partnership – is present or not.

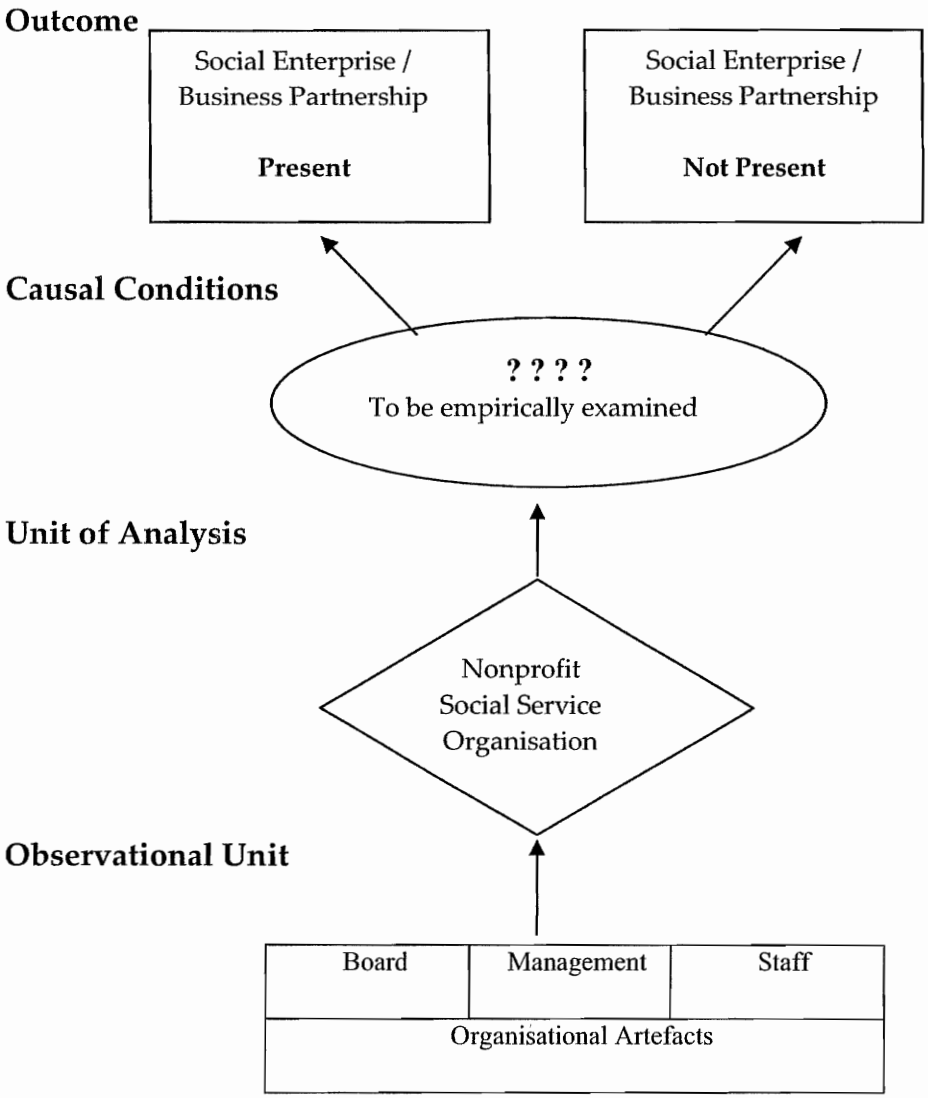


Figure 1 - Research Logic

With the analysis focus at the organisational level a case study strategy was assessed as an appropriate research tool. This next section provides the rationale for the case study approach taken.

4.3 Case Oriented Research Strategy

The case study methodology, being interpretive in nature, was assessed the most appropriate research tool due to the previously stated need for comparative analysis and the context rich and complex nature of the issues underpinning the phenomena. As mentioned earlier there are different approaches to the case study method and this research is seeking depth, but not to the extent of ethnographic approaches, and some generalisability but not to the extent of variable orientated research.

The case study approach chosen for this research is aligned with the work of Ragin (1987), Yin (1989; 1993), Eisenhardt (1989), MacNealy (1997), Morgan and Smircich (1980) and, McCutcheon and Meredith (1993). These authors have been strong advocates of case study research and have countered criticism of the methodology by highlighting its benefits across a diverse range of uses, from theory building to offering rich descriptions of phenomena from which dialogue on casual conditions can proceed.

One means to improve rigour in case-orientated research is the incorporation of prior construct development. The background literature and theoretical frameworks presented earlier in this paper have been developed to encourage rigorous case selection and research questioning. Eisenhardt (1989) and Yin (1989) have both recommended that some *a priori* constructs can help focus case study research, accepting that constructs may need to be modified or abandoned in the face of new evidence collected in the field. Replication logic was used in case selection following the advice of Yin (1993) that replications increase the confidence in the results. This means that a number of exemplary cases were chosen that highlight the phenomenon of interest and comparatively cases that highlight its absence.

The case study focus aims to understand why some organisations are able to shape processes that lead to the adoption and implementation of social enterprise and business partnership or alternatively the absence of such adoption. It will examine a range of organisational and environmental variables starting with those listed in the research foci section 3.9 and probing for additional variables that have impacted on the process.

4.4 Sample Selection

As identified earlier the research will select cases where adoption has happened and where it has not. In choosing where adoption has not occurred, Mahoney and Goertz (2004) propose the 'Possibility Principle' to guide the rigorous selection of what they call 'negative cases'. This principle advises researchers to select cases where the outcome of interest hasn't occurred though it possibly could. There are many cases to choose from where social enterprise and business partnerships have not occurred, particularly in small and medium sized nonprofit organisations. In applying the Possibility Principle there was the need to ensure that although the instance of these practices was not manifest, they could potentially occur in the organisation.

The research comprised fourteen case studies of nonprofit organisations in the Community Services Industry (CSI) Non-residential Care Service Australian New Zealand Industry Classification group (Australian Bureau of Statistics 2001) that are more than ten years old. Two of the cases were pilot studies to refine the methodology and research questions, with twelve cases comprising the main study. The focus of the research was on organisations that are departing from historical or traditional ways of mobilising resources toward something new to that organisation. Therefore seven organisations that had

adopted a social enterprise and/or a business partnership where studied. This involved selecting social service organisations that had a social enterprise and/or business partnership as per the theoretical parameters identified in Chapter 2. Comparatively seven organisations were researched that were not currently implementing these practices. Sample selection was designed so that within the seven adopter organisations chosen, at least three were engaged in a business partnership and three a social enterprise. Some of the adopter organisations had *both* a social enterprise and business partnership.

Placing some restriction on the population from which the cases were chosen was important to reduce the impact of extraneous variables not relevant to the research questions (Eisenhardt 1989). Organisation demographics such as size, location, type and developmental stage were highlighted in Chapter 3 as supported within the literature as potentially altering organisational innovativeness. These variables ought to be considered as much as possible in selecting cases. Pairs of adopter and non-adopter organisations were matched as closely as possible on the size of the organisation, type of geographical location (urban, regional, rural), organisational goals and target group. Small and medium sized organisations comprised all cases studied.

The research used the ABS (2001) organisation size definition that proposes a small organisation as one with 0-19 persons and a medium is 20-99 persons. There were nine small and five medium organisations. The largest medium sized organisation had only thirty-one staff with the others having staff numbers in the low twenty's, so most of the sample was made up of relatively small organisations. Size was measured via paid employee numbers rather than including volunteer numbers or utilising total annual income. Full-time staff numbers was seen as a reasonable measure of an organisations core capacity.

An aim of the research was to select cases from diverse geographical locations across Australia, ideally including a mix from different states and territories in urban, regional and rural locations. This was to allow consideration of the role the environment plays in enabling or constraining social enterprise and business partnership development. Different state and territory governments have impacted upon the nonprofit social services to different degrees in terms of the push toward professionalisation, privatisation and business-orientated approaches (as mentioned in Chapter 2). Due to the perceived spatial differences that could impact on the factors enabling the development of social enterprise and business partnership the current research proposed to select organisations from at least five out of the eight Australian states and territories.

A population of adopter organisations was sought with assistance from the Social Entrepreneurs Network, and the secretariat managing the Federal Government Community Business Partnership initiative that had a database of organisations implementing business partnerships. Using these two sources, a pool of suitable organisations that had adopted either a social enterprise and/or business partnership as a resource mobilisation strategy was complied. It was not easy to arrive at a long list of potential adopter case studies within the small and medium nonprofit social service organisation population in Australia. What many people offered up as examples of business partnerships did not definitively fit an integrative (Austin, 2000a) or corporate citizenship (Lyons, 1998) model. In fact many so-called business partnerships did not include business in the equation in any significant way.

It would have been much easier to find suitable cases had larger organisations been included in the population from which the selection was made; though this was part of the inquiry, to extend the current focus from the descriptive

literature espousing the experiences of the 'big end of town' charities. Thus the aim was to specifically test out the development and consequences of these practices in representative or more commonly occurring organisations in the nonprofit social services.

Selecting matching non-adopters was less difficult once the adopters were identified. The researcher had a good knowledge of the social services from working within it and being a federal government official in charge of funding social service programs across Australia. Once the adopter was identified the process was to examine the population of social service nonprofit organisations within the same region, or a region with similar socio-demographic characteristics, to find a match. All pairs of adopters and non-adopters are well aligned except for one pair (Case 9 and 10) due to an organisation pulling out of the study because of management changes.

A commonly reported challenge in case study research is gaining entry and selecting participants to be interviewed in a way that enhances research validity and reduces bias. Access is said to be dependent upon the researcher's personal characteristics and how they are perceived. Because the researcher has had a long history in the social service sector and was familiar with the appropriate protocols to engage small and medium nonprofits, negotiating with organisational gatekeepers went smoothly. However it was evident that trust had to be earned and was not instantly given despite assuring people that confidentiality and anonymity would be maintained. On the whole people seemed genuinely interested in the research area and saw it as topical and in need of research attention. The process was that the organisation's board or committee was approached to elicit their interest and to gain formal consent in taking part in the research. Of all the organisations approached only one did not consent to take part in the research.

In selecting the interviewees the goal was to get the deepest possible understanding of the setting being studied. The manager or executive officer was a natural priority, but board members and staff who could provide information about the topic and setting being studied were also actively sought. Because organisations were informed the research had been set up to investigate both the 'positive' and 'negative' experience of the phenomenon, they were more willing to express what had not worked just as much as focusing on successes. Some interviewees were suggested as participants to interview in both the adopters and non-adopters specifically because of their struggles with trying new forms of resource mobilisation. The research achieved a sense of data saturation, so it was assessed that the number of interviewees had been adequate.

A number of strategies were employed to enhance the research validity and to reduce bias:

- Extend the time for observing the setting;
- Include more participants than just the executive officer;
- Focused on building participant's trust in order to access more detailed and honest data; and
- Seek feedback and confirm interpretation of data with participants in recognition that meaning is jointly constructed between the interviewer and the interviewees.

Table 1 below identifies the selected organisations that constituted the final fourteen case studies. The cases that piloted the research approach are listed as case thirteen and fourteen.

Organisation Focus	Location	Activities	Resource Strategies	Staff - EFT
Case 1 Disadvantaged Youth & Families	Rural	- Supported Accommodation - Early Intervention Support to Homeless Youth - Youth Activities and Family Liaison - Case Management - Counseling & Mediation - Community Development - Media and education products	**Adopter** – social enterprise running at a profit. Totally self sufficient in funding from parent organisation. Delivers government purchased services and initiates own community development projects. Reliant on a mix of government grants and private donations. Enterprise tops up government services.	12
Case 2 Disadvantaged Youth & Families	Rural	- Supported Accommodation - Early Intervention Support to Homeless Youth - Case Management - Counseling & Mediation - Community Development - Youth Activities and Family Liaison - Indigenous Youth Services	**Non-adopter** – Delivers government purchased services. Almost totally reliant on a mix of government funding with small amounts of in kind assistance from stakeholders such as small business & other nonprofit agencies.	16
Case 3 People with an Intellectual Disability	Metro / regional	- Recreation and sporting activities - Advocacy - Case work - Family Liaison	**Adopter** – Business partnerships providing money, expertise, capital, networks. Government is the purchaser of most other programs delivered. Mix of government grants, business partnerships and fundraising support these.	14
Case 4 People with an Intellectual Disability	Metro / regional	- Recreation and sporting activities - Advocacy - Case work - Family Liaison	**Non-adopter** – Delivers government purchased services. Almost totally reliant on a mix of government funding with small amounts of in kind assistance from stakeholders such as small business & other nonprofit agencies.	5

Organization Focus	Location	Activities	Resource Strategies	Staff - EFT
Case 5 Community Services for the frail and disabled	Metro	- Aged Care & Disability Services	**Adopter** – social enterprise breaking even and delivering small profit which is expected to grow. Delivers government purchased services. Obtains a mix of government grants, supplemented with fee for service, in kind assistance from other nonprofit services and business.	14
Case 6 Wide range of Community Services	Metro	- Aged Care & Disability Services - Youth Services - Family Liaison - Community Development - Childcare	**Non-adopter** – Delivers government purchased services and initiates own community development projects. Mainly reliant on a mix of government funding with small amounts of in kind assistance from stakeholders such as small business & other nonprofit agencies. Have unsuccessfully attempted to develop a business partnership.	20
Case 7 Disadvantaged Youth specifically homeless	Metro	- Advocacy - Case Management - Mentoring - Community Development - Brokerage	**Adopter** – Runs it's own directed, self-sufficient programs. Resourced by business partnerships and private donations. Small amount of government funding and in-kind assistance from nonprofit agencies.	5
Case 8 Disadvantaged Youth specifically Indigenous	Metro	- Case Management - Mentoring - Early Intervention for youth homelessness - Education and training support - Brokerage - Community Development	**Non-adopter** - Delivers government purchased services and initiates own community development projects. Almost totally reliant on a mix of government funding with small amounts of in kind assistance from stakeholders such as small business & other nonprofit agencies.	7

Organization Focus	Location	Activities	Resource Strategies	Staff - EFT
Case 9 Community Services	Metro	- Early Childhood Support Services - School Aged Support Services - Family Services - Learning Programs - Community Development	**Adopter** – social enterprise running at a profit. Business partnership providing money, expertise, capital, networks. Delivers government purchased services and initiates own directed services. Diverse resource base: fee for service, mix of government grants, in kind assistance from business & other nonprofit agencies.	31
Case 10 Community Services	Metro	- Family Capacity Building - Emergency Education & Assistance - Youth Leadership Training - Crisis intervention - Vocational Training	**Non-adopter** – Delivers government purchased services and initiates own projects. 60-70% reliant on government funding supplemented with fundraising. Have unsuccessfully attempted to develop business partnership.	21
Case 11 Disadvantaged Children & Families	Rural	- Substitute Care - Case work - Family Support - Childcare - Counseling - Community Development	**Adopter** – Business partnership providing money, expertise, capital, networks. Delivers government purchased services reliant on a mix of government grants, fundraising and business partnership resources.	12
Case 12 Disadvantaged Children & Families	Rural	- Family support - Play groups - Counseling - Community Development	**Non-adopter** - Delivers government purchased services. Almost totally reliant on a mix of government funding with small amounts of in kind assistance from stakeholders such as small business & other community agencies.	4

Organization Focus	Location	Activities	Resource Strategies	Staff - EFT
Case 13 - pilot Community Services	Metro	- Education and Training - Employment Services - Case Management - Community Development - Small business development - Research & development	**Adopter** – social enterprise running at a profit supplements organisation's activities. Business partnership being developed. Delivers independently directed services and some government purchased ones. Resources include enterprise, fee for service, mix of government grants, in kind assistance from business.	20
Case 14 – pilot Community Services	Metro	- Education and Training - Employment Services - Case Management - Community Development - Youth Services - Child care - Disability services	**Non-adopter** – Delivers government purchased services and some independently direct community projects. Mainly reliant on a mix of government funding with small amounts of fee for service, in kind assistance from stakeholders such as small business & other nonprofit agencies. Have unsuccessfully explored enterprise and partnership opportunities.	24

Table 1 - Overview of the fourteen organisational case studies

Table 2 that follows gives an overview of the proportion of funding from various sources for each of the case studies. This includes distinguishing resources received from government, donation / fees and enterprise / partnerships.

Case No & Type	% Government	% Donation / Fees	% Enterprise / Partnership	Annual Budget
C1 - Adopter	45%	14%	41%	1.2mil
C2 - Non-adopter	93%	7%	Nil	650K
C3 - Adopter	25%	4%	71%	746K
C4 - Non-adopter	75%	25%	Nil	334K
C5 - Adopter	61%	24%	15%	575K
C6 – Non-adopter	88%	22%	Nil	670K
C7 – Adopter	10%	20%	70%	420K
C8 – Non-adopter	92%	8%	Nil	350K
C9 – Adopter	12%	17%	71%	4.9mil
C10 - Non-adopter	50%	50%	Nil	4 mil
C11 - Adopter	65%	16%	19%	3.8mil
C12 - Non-adopter	87%	13%	Nil	350K
C13 – Adopter	33%	27%	40%	1.9mil
C14 - Non-adopter	85%	15%	Nil	1.4mil

Table 2 - Proportion of Funding from Government, Donation, Enterprise / Partnership

4.5 Data Collection

Rodgers (1995) suggested that in innovation research it is important not to reduce data collection down to a one-off interaction with an individual, such as a chairperson or executive officer, but collect from a variety of sources to increase the reliability and validity of the data. One-off singular source data collection was proposed as not preferable in this research due to the aim of triangulating a number of data sources within the organisation and across the

different organisational levels to elicit different facets of data relating to each question being asked. Triangulation was popularised as a research term by Denzin many years ago (1978), is conceived as the conduct of parallel (or otherwise duplicated) research techniques to investigate research questions in order to gain corroborating evidence for the conclusions drawn. It is a validation technique originating from the field of surveying.

Beazely (2004) argues that triangulation in the more recent years "has often been used loosely as a synonym for mixed methods without regard to either of the conditions inherent in the original concept" (p.144). Triangulation is limited in qualitative work when it assumes a single standing point or objective reality from which data can, in all instances, be measured and collected. Alternatively Beazley suggests that triangulation in qualitative work is strengthened when it allows reconciliation of data gained from multiple viewpoints, that are inclusive of the subjective realm, and accepting that different viewpoints may emerge.

In each organisation a minimum of three people were interviewed comprising a board member, executive officer or coordinator and staff member. The value of the interview as a research methodology has been well argued by Brenner, Brown and Canter (1985) including that it allows "*both* parties to explore the meaning of the question and answers involved" (p.3). Interviews respect individuals as experts of the situations they experience. Other benefits include being able to directly delve into the subtleties of mutual understanding that arise in a dialogue between people. During interviews misunderstandings can be clarified immediately and a wide array of data can be collected from each person within the one interview. The possibility of immediate negotiation of understanding is not so easily available in other methodologies such as computer or paper surveys.

There are some disadvantages of the interview method discussed by Brenner et al (1985) including: the resource demands on the researcher; the potential for bias to occur in the exchange between the researcher and interviewer; the lack of willingness to directly address sensitive issues in an interview situation; distortion due to memory decay and; error in interpreting verbal data. The research tried to minimise these potential weaknesses. To reduce the demand on resources, interviews across an organisation (particularly those interstate) where conducted during the same time period and follow-up or outstanding work was conducted via teleconference. The interview questioning was not directed toward personal or highly sensitive topics. Problems with memory decay were supplemented by reference to written documentation of events. Clarification of the researcher's interpretation of meaning was sought during the interview and through a summation of the interview content.

Data was collected for each case within a short window of time - up to six months - from a range of people and sources. The research did not involve in-depth ethnographic or longitudinal data, as the aim was to case study a greater range of organisations within a shorter period of time than such immersed methods allow. The research was designed to provide a sample that is small enough to have some in-depth contextually rich information and large enough for diversity to be present. Thus it was about combining nomothetic and idiographic approaches that are to serve the double purpose of gaining some generalisation but most importantly in-depth understanding.

The literature discussed in the first three chapters provided some conceptual structure for framing the interview questions outlined in Appendix A. The interview questions were piloted in two organisations, one an adopter and the other a non-adopter. The pilot data was coded and used in the analysis. A distinction was made for questions designed for organisations that had

adopted, or were somewhere in the process of adopting the innovative practices, and those that were not currently engaged in these practices. Some questions where included in the interview sequence for the non-adopters to check prior experience or positioning of the organisations in adopting a social enterprise and/business partnership. The interview questions aimed to gain both data of a more general nature such as organisation history, governance and decision-making processes; and data specifically related to what influences an organisation adopting or not adopting business-focused resource mobilisation strategies.

An organisational questionnaire was also provided to obtain the demographics for adopter (Appendix B) and non-adopter (Appendix C) organisations studied. Demographics included: age, legal structure, organisational structure, resource profile, skills of the board, mission, target group and programs delivered. In relation to the social actors in the organisation there was an interest in knowing staff numbers and ratios (volunteers / employed / membership); status (full-time / part-time / casual); supervisory structures and power relations; gender; socio-economics status; ethnicity; disability; values and attitudes regarding innovation and market solutions; position in intra- networks and inter-networks and; qualifications and experience. This information for the most part was used to provide a context to understand the information gathered through the interviews, although in some cases this material informed the analysis.

The questionnaire also ascertained the difference between perceived need and how well the organisation's needs across some key areas were being met, such as expertise in marketing, financial and business planning, access to finance for capital, support from government, and networking. This was directly used in the analysis and is reported in the results chapters.

General organisational material was sought including annual reports, board minutes, newsletters, web sites, media releases, program reports, promotional information, documents specific to its resource mobilisation strategies. Some of this information was coded in the analysis though mostly it provided a means for cross-referencing whether the patterns arising from the interviews was confirmed in the organisational artefacts. Understanding the organisation's contextual environment was also deemed important, this included accessing information such as: the area's economic and social indicators; presence of innovation champions; local levels of innovation and development of social enterprise or business partnerships.

In summary the data sources included:

- semi-structured interviews – a common case study technique - guided by questions outlined in Appendix A. The interviews were recorded digitally then transcribed by the researcher;
- short questionnaire to collect background information on each organisation as detailed in Appendix B & C. A copy of the questionnaire was given to management staff for completion;
- archival records (memos, minutes, strategic plans, annual reports) to triangulate and check retrospective information gained from interviews and;
- direct observation from site visits.

It was important to be thoroughly prepared when visiting the sites during data collection so as not to waste the time of organisational members. In aiming for a quality process there was pre-clarification of interview questions and advance notice and permission gained to view archival documents; example meeting minutes, mission statements and the like. Conducting the pilot case studies allowed fine-tuning of the data collection to ensure only information that is necessary and relevant was requested during the data collection phase. This

fine-tuning however continued throughout the whole research process as each organisation presented new challenges and unique opportunities to access valuable information that supported the research goals. At a technical level it was important to have spare batteries for the digital recorder and a contingency plan for when problems occurred with the recording equipment.

4.5 Data Analysis Strategy

Eisenhardt (1989) suggested that good case study research considers the overlap of data collection with data analysis. The research was conducted in such a way that some on-site analysis was conducted during data collection. For example during the reading of archival records, making field notes and conducting interviews some reframing of questions or adding questions occurred. This allowed exploration into new areas that emerged as pertinent during data collection. These new areas where then explored in subsequent cases.

Data analysis was designed so that there was both *within* case content analysis and *across* case content analysis. Turning raw data into a coherently analysed set of categories is a timely and complex process. Mostyn (1985) however demystifies the practice of content analysis suggesting that it is a very ordinary, everyday activity of reading plus analysing or judging what is read. This way of viewing analysis perceives making inferences as a time-honoured act of human beings drawing conclusions from unstructured communications.

Coding is the process of categorising data to facilitate understanding. Coding qualitative data has singularity rather than uni-dimensionality, "in that all text on a particular issue, idea or experience can be assigned the same code, regardless of the way it is expressed" (Beazley, 2004, p.150). Some *a priori*

categories were defined prior to the coding process that related to themes synthesised from the literature. However the majority of the codes were newly generated as the analysis progressed following a grounded theory approach as identified earlier. Some codes were descriptive categories, though the majority where interpretive and analytic concepts that shed light on answering the research question of interest. A constant comparison method was employed as the research proceeded where new evidence was compared to prior evidence to identify similarities and differences between observations.

The research involved ordering the data into categories and dimensions as the first essential step to assist in making cross case comparisons. This involved coding with a clear distinction between the data generated from the adopters and non-adopters. The process involved firstly focusing on the adopter responses before moving on to the non-adopters. The need for content analysis specifically related to data collected from the interviews, the archival records and field notes from observations. These were either typed into a word program or scanned so they could be converted into Rich Text Format and entered into the qualitative software package NVivo 2.0. This material was initially coded in NVivo using an open coding method that supports a grounded theory framework.

The first approach to coding was to provide an opportunity for patterns to emerge freely based on the empirical data rather than only *a priori* concepts. The second stage was to then scrutinise the data more intensely focusing on the reasons why and how the adopters had come to take up a social enterprise or business partnership. Then the data from the non-adopters was analysed and their experiences and thoughts on business-focused resource mobilisation analysed. This was followed with an examination of the available evidence

concerning the organisational consequences that follow adoption or the absence of adoption.

The categories and cases were then analysed using Fuzzy-Set/Qualitative Comparative Analysis 1.1 (Ragin, Drass & Davey 2003). QCA is an analytic technique that uses algebra to implement principles of comparison between cases, thus it focuses on the combinatorial complexities between conditions. Ragin, Drass and Davey suggest this relies on the researcher "understanding the structure of the relations between the casual conditions" (p.16). QCA as a technique relies on quality coding, as there is little room for measurement error in the analysis. Ragin's QCA software is an attempt to utilise a mixed approach by developing typologies and related understandings while retaining the richness of the qualitative case (Beazley 2004).

In QCA the information was analysed in truth tables using Boolean methods of logical comparison where each case was constructed as a combination of causal and outcome conditions. The analysis distinguished between the sufficiency and necessity of conditions influencing the occurrence or absence of social enterprise or business partnership adoption. The analysis was framed keeping in mind that "neither necessity nor sufficiency exists independently of theories that propose causes" (Ragin & Giesel, 2004, p.51). A cause was defined as necessary if it must be present for a certain outcome to occur. A cause was defined as sufficient if it can produce a certain outcome by itself or in combination with other causes. Ascribing only necessary conditions ignores the fragility and complexity of social action. Sufficiency allows for alternative combinations of conditions to be sufficient for an outcome and was suited to this research.

It is usual for Boolean logic to use a conventional set that is dichotomous with values of 1 or 0 applied according to whether a case is either 'in' or 'out'; that is displays the phenomena of interest or not. A fuzzy set, however, allows for membership in the interval between 0 and 1 while retaining the fully in or fully out states. Ragin (2000) outlines the four common ways to construct fuzzy sets using a three, five, seven or continuous value set. This research used a seven-value set to accommodate the varied degrees of adoption included in both the adopters and non-adopters. Some of the non-adopters for instance had made some moves toward adoption.

The seven-value membership points included: fully in (1.0); mostly but not fully in (0.83); more or less in (0.67), neither in nor out (0.5); more or less out (0.33); mostly but not fully out (0.17) and fully out (0.0). Specification of causally relevant aspects of cases must be clarified and refined to see if the resulting truth table sort cases in a way that makes sense. The assumption in building the truth tables has been that no single cause could be either necessary or sufficient for a topic such as the one under investigation in this thesis.

Unlike other authors who use QCA and select their variables for testing from the theoretical literature, this thesis developed the variables in the truth tables from the data in a grounded theory way. This is because the theory proved wanting in being able to logically explain the adoption process. This limits being able to say a priori what theories influenced variable selection. The existing literature was used to shape the interview questioning and a linkage made to this in the research foci section. However there was not a sufficient empirical basis to develop pre-set hypotheses beforehand and a relatively open coding process ensued in arriving at the results.

Information from the organisational questionnaire collected ratings on areas of need across different functions and how well the needs were being met. The areas included: business planning; marketing; financial management; entrepreneurial skills; network; use of external consultants; access to finance for capital; support from government and other. This data was entered into an Excel spreadsheet and graphed for analysis. The sample size was not large enough for statistical analysis. The results are presented through Part II of the thesis.

4.6 Ethical Considerations

The research received ethics clearance from the University of Technology Sydney ethics committee prior to the data collection phase. An information sheet (see Appendix D) was given to each organisation's board in conjunction with an organisational consent form (see Appendix E) that sought formal agreement to begin the research. The forms clearly identified the purpose of the research and what the research would require if the organisation consented to participate.

It was made clear that an organisation was able to withdraw at any stage of the process and that the publishing of research findings would be non-identifying of the organisation or any individual participant unless written consent was gained. A commitment was given that the information collected on the organisation would be kept confidential and stored in a manner that was non-identifying of the organisation. The information sheet also included the contact details of the researcher, supervisor and university ethics committee. It also included an outline of what the organisation could expect in terms of their involvement in the case study.

Following written consent being obtained from the board and executive officer to allow a case study of the organisation to be conducted, interviewees were identified and individual voluntary consent gained from each of these before their interviews (see individual consent form at Appendix F). Anonymity was maintained for all individual interviewees.

Codes were given to differentiate each organisation case studied and each interviewee and their level within the organisation (board, management, staff). Data was stored in audio, paper and electronic form and kept in locked cabinets.

The next part of the thesis presents the findings of the research beginning with an introduction of the conditions that emerged from coding the data in NVivo.

PART II RESULTS

CHAPTER 5 INTRODUCTION TO THE RESULTS

5.1 Overview

The second part of the thesis begins by reporting the results of the research. Chapters 6 to 11 report on the model generated from coding of the interview transcripts and archival records using the NVivo 2.0 software. These codes represent conditions that had a significant bearing on whether an organisation adopted one or other of the resource mobilisation methods under study. These conditions were cross-referenced against additional information collected in the questionnaire and archival records that highlighted the context the organisations operated within, to validate the emergent patterns. The process for arriving at this model is explained in the previous chapter on methodology, though additional background is provided in section 5.2 below. The testing of the conditions in relation to their necessity or sufficiency, in influencing adoption, is conducted using Qualitative Comparison Analysis software and reported later in Chapter 12. Chapter 13 then presents the results on the consequences of adopting a social enterprise and/or business partnership. Full interpretation of the meanings, weighting and significance of all the results are presented in Part III of the thesis.

5.2 NVivo Analysis

As reported in section 4.5 in the previous chapter, there was initially an open coding process that turned the raw data from the interviews, the archival records and research field notes into categories. The process involved firstly focusing on the research material from the adopters only, drilling down into what aspects *within* each case enabled or restricted adoption of one or other of the innovative resources mobilisation methods. The second step involved looking at the codes generated in relation to the non-adopters, distinguishing how such conditions played out *across* the organisational types. This process helped assess the relative importance of these conditions in terms of enabling or restricting the uptake of a social enterprise or business partnership.

Some *a priori* concepts were used in this coding process as outlined below. The *a priori* concepts thought to be important to explore, in an open rather than directive fashion, were derived from the literature and discussed in Chapter 3. The points in the research foci outlined in section 3.9 were turned into the following codes:

- Environmental Influences;
- Funding Relationship with Government;
- Organisational Structural Arrangements;
- Stage of Organisational Development;
- Organisational Culture;
- Governance;
- Networks;
- Entrepreneurial Skills; and
- Consequences (including sub nodes Practical Outcomes and Legitimising Outcomes).

As the data was examined, links were made to the above codes where applicable, and many others were freely created informed by the richness of the data.

The NVivo 2.0 software package allowed for disciplined management of the coding process. The open coding process in NVivo yielded one hundred and thirty five free nodes. These were then further arranged into higher order categories through a number of stages, which transformed the descriptive nature of the data into an interpretive structure resulting in a hierarchy of relationships between codes. This involved exploring nodes that measured similar higher order constructs, and synthesising the most defining properties that in an interpretive sense distinguished the adopters from the non-adopters. This resulted in a two level nodal structure, made up of a high-level parent node with often a child and sibling nodal structure beneath it, which characterised the qualities of the parent.

The key parent nodes represented the most essential conditions that played a significant role in distinguishing whether or not an organisation adopted a social enterprise or business partnership. These nodes are represented in a model. The model is summarised in notation as:
ADOPTER = CRISIS IN GOVERNMENT SUPPORT + ORGANISATIONAL CAPACITY + GOVERNANCE + BUSINESS THINKING & SKILLS + NETWORKS + SELF-EFFICACY. This notation is explained in the following paragraphs.

The literature review suggested that the nature of government funding has become more professionalised and businesslike. Service demands have been growing, while supply has been cautiously rationed. The results show that government funding is currently experienced by most nonprofit organisations

as problematic in terms of its adequacy, inflexible nature and burdensome accountability requirements. This context provides an important trigger for how nonprofit organisations dependent on government funding respond to possibilities for mobilising business-focused resource streams. There were three possible responses to considering business-focused resource streams that appeared in the results.

One was to be pragmatic about the need to diversify resource mobilisation approaches. This was coupled with an enthusiasm to consider harnessing the prevailing business ideology, being promoted through the nonprofit landscape, as a means to override the deficits of the government purchasing arrangements and better serve an organisation's social mission. This was predominately displayed by the adopters. Another response was to show frustration with the government arrangements and resistance, based on ideological grounds, to utilising a business orientation to secure alternate resources. This involved making the best of the inadequacies of the government resource situation. A number of the non-adopters displayed this position.

Somewhere in the middle – with overlap between the adopters and non-adopters - was reluctance by organisations to use business-focused approaches coupled with a pragmatic resignation toward adoption. Acceptance toward adoption, derived from the fact that it offered opportunities for new resources to top up the inadequacies of government funding. Reluctance was expressed in different ways, for instance as resignation to respond to the practicalities of the situation, "If we don't head this way we may not have a future". It was also expressed as an unhappy surrendering to forces beyond one's control, "I guess we have no choice but to go there kicking and screaming". Each organisation's level of capacity to consider different resource opportunities modified their type of response. The results relating to the 'crisis in government support' node

and the children nodes that define it are discussed in further detail in the next chapter.

The next condition in the model is organisational capacity. Analysis of the research material revealed specific organisational arrangements, such as structure, strategy and human and financial capital, were commonly reported and readily observed to be facilitating the successful development of resource diversification. The adopters were notably organisations that had directly invested in their internal capacity - more significantly than the non-adopters – in a way that meant the organisation was able to forge toward a sustainable future. What this construct reveals based on the dimensions of the data that defined it, is discussed in further detail in Chapter 7.

The third condition in the equation is governance. This was expected to emerge in the data as a significant dimension influencing the adoption of a social enterprise and/or business partnership based upon the literature. The type of governance model distinguished the adopters from the non-adopters. The adopters tended to use a corporate governance model and the non-adopters an informal management committee model. Further reporting of this result is detailed in Chapter 8.

Another *a priori* concept explored in the coding process was the accessibility to entrepreneurial skills. This was proposed as likely to distinguish the adopters from the non-adopters and did emerge to be an important condition. It ended up being defined more broadly as 'business thinking and skills' as this encompassed the entrepreneurial skills code, and other dimensions identified as important to the development and sustainability of social enterprise and business partnership. Clearly the adopters were stronger in this dimension and this will be discussed further in Chapter 9.

Networks were predicted as likely to be important, especially to the development of business partnerships. The data proved this to be true, finding networks just as valuable to the advancement of a social enterprise as well. The essential feature was that the adopters were more likely to have diversified networks that encompassed business sector stakeholders. These results are discussed in Chapter 10.

The final component of the model was surprising. Analysis of the interviews revealed particularly stark differences in the way in which self-efficacy was expressed between adopter and non-adopter interviewees, especially how each talked about business-focused resource opportunities and practices. It also was observed in the level of confidence relating to how organisations approached actions to diversify resources, and their expectation for success. Chapter 11 details this aspect of the model. We move now to the reporting of these results in detail, devoting a chapter to each component of the model.

CHAPTER 6 CRISIS IN GOVERNMENT SUPPORT

6.1 Overview

The research probed the adopter and non-adopter organisations as to the practice or possibility of diversifying their resources through business-focused approaches, namely social enterprises and business partnerships. From a review of the literature, one could easily hypothesise that the changing nature of government funding and social policy in Australia strongly supports organisations to adopt business-focused resource practices. However this trend is not the case and smaller organisations are not commonly adopting a social enterprise or business partnership.

Without exception, what emerged from each case was a plethora of responses from interviewees about their relationship with government funders. Interviewees from both the adopters and non-adopters had a lot to say about the complex web within which nonprofit social service organisations exist in relation to mobilising resources from government, and how this complexity moderates other resource practices. Initially the amount of data generated on this topic seemed surprising, considering that the line of questioning used to elicit their views and experiences regarding other resource practices. But considering the current and historic level of dependency most social service nonprofit organisations have had upon government, and that the topic was about mobilising resources, it is logical that government funding would enter strongly into the discussion.

So what data distinguished the adopters from the non-adopters? Both case types experienced problems with the 'nature of government funding' and some of the data coded to this node sets the context in relation to the pressures that

both types of organisations face. The chapter then reports the data that identifies where the divergence between the adopters and non-adopters occurred. Clearly the adopters reached a crisis point, in relation to the nature of their government funding, which served as a catalyst to seek new ways of mobilising resources. The data explaining this was clustered under a code titled 'crisis in government support' and it had two child nodes. One was titled 'survival' and represented a strategic response to sustain the organisation in the face of a radical punctuation, or control the flow of resources from government. The other was titled 'search for independence' and represented data that indicated an active response to seek a diversified resource base that gave a degree of autonomy and assurance separate from government. Data relating to each of these sibling nodes is reported in separate sections, following this next section that reports data relating to the 'nature in government funding' code.

6.2 Nature of Government Funding

Both the adopters and non-adopters experienced similar frustration with the nature of government funding, but responded differently to this in a number of ways. Most of the organisations in this research had their origin at a time when funding for community-based social services was growing exponentially. During this time, organisations were able to put forward submissions and present to government which social needs in their region required priority attention. Therefore they had experienced a time when needs were identified at the community level, and administrative requirements were not as onerous as has developed later with the advent of the purchaser-provider regime.

There were three main difficulties both adopter and non-adopter organisations experienced with the current government funding arrangements. Firstly, that the accountability and administrative requirements placed on organisations

was overly burdensome. Secondly, that government did not adequately cover the costs involved to achieve the purchased outcomes and outputs. Thirdly, funding contracts restricted the ability of nonprofit organisations to achieve their social mission. Data relating to these three areas are discussed below.

6.2.1 *Burdensome Requirements*

A theme arising in the data was that the costs of administering government contracts eroded organisational sustainability, largely due to their overly burdensome requirements. Both adopters and non-adopters expressed concern that so much of their capacity that could be harnessed to diversify their resource base, was tied up in meeting non-value-adding administrative requirements set by government. One non-adopter manager commented:

> This is sheer nonsense it's not worth it; I can't have a full-time accountant and full-time project officer working on accountability. We're essentially a group of volunteers doing a good thing.

Another adopter organisation reported:

> Previously we had a simple one or two page agreement that outlined we were spending the money ethically. Now every year we are subject to an onerous accreditation process that is hundreds of pages long.

Once organisations actually get funding from government, they then have to contend with the complexity of managing the funds. Ironically, the more successful an organisation is in obtaining diverse government funding, the more intense its compliance and accountability requirements become due to the separation of requirements for each strand of funding. The more strands of funding organisations have, the more administrative infrastructure they need. One small-to-medium organisation had something like thirty streams of money

coming in, which ranged from $500 to $500,000. It reported the difficulty of juggling the administration of the grants, let alone ensuring that each contract is buying and producing the relevant outputs and outcomes.

Many organisations, even the very small ones with less than ten staff, could have twelve different contracts and in effect be required to run and report on twelve very autonomous services. There have been some trials of single service government funding agreements within Australia to reduce administrative requirements. Though some of the organisations in the research that had participated in these trials reported the onus was on the nonprofit organisation to do the linking between government departments. One interviewee commented on the trial saying:

> It puts lots of pressure back on us and sadly pushed the economic rationalist approach where you provide certain things in a set way, irrespective of how we could value-add.

Accountability had become an exercise decoupled from its original intent. In many cases people were actually delivering under different parameters than those in the contract, but in their reports they would tell government what they wanted to hear. Adopters commented that part of the move toward alternative approaches to mobilising resources was the attraction to having vastly reduced onerous accountability mechanisms to respond to.

Despite organisations providing a range of documents and data to their funding body, they pointed out that government really didn't know what they did. People reported that newer programs tended to have more modern evidence-based approaches. However in terms of some of the older funded programs, interviewees talked about putting the same report in each year and the department not reading it. They suggested that a poor accountability

framework sustained a program being under-resourced. One coordinator from a non-adopter organisation stated:

> I mean the data collection has just become really onerous and we wonder what they do with it? It's obviously keeping some bureaucrats in jobs! But it's crazy making an organisation like this, where time is of the essence and where we have to set aside three days in a room just to work on it. It's really hard going, and the other part of the deal is the process changes and it can be set for one year then next year it is completely different.

A consequence of the purchaser-provider regime was the introduction of professionalism and a stronger managerial approach. This resulted in the emergence of some new capacities in nonprofits that could be harnessed for diverse ends. The positive aspects of this were more likely to be reported by the adopters. For example, some adopters reported the skills gained from tendering and maintaining government contracts could be applied to the creation of commercial services through a social enterprise. The research identified that the adopters had a greater comfort with key aspects of managerialism, such as utilising strategic plans, performance indictors and outcome frameworks. One manager of an adopter organisation remarked:

> To have key indicators of what you are doing is a very positive thing and I think a lot of the organisations have fallen by the way because they didn't really understand that. I think that's probably where we have gone ahead in leaps and bounds, and why we work successfully with corporations. Because we have people who are comfortable working along those lines and have taken that great shift and worked that shift.

The above organisation was only a decade ago, almost totally volunteer-based, with the board comprising parents of the clients.

Many organisations talked about limitations with the small, time limited grants that are most commonly available these days. The reality is whether they are

talking about one-off grants or longer-term contracts, obtaining money from government has grown to require significant work and is increasingly competitive. A coordinator of a small organisation in a rural town commented:

> A lot of hours go into those submissions, hours and hours. You might have a thousand applicants and fifty people get funding. We found that a very gruelling process. We just rehash the applications so we don't have to invest much staff hours in the process.

It's not only obtaining new money that requires work. Organisations spoke about having to work on huge tender documents to reapply for their existing program money through an open competitive tender process. This was despite delivering high quality, independently evaluated services for a number of years. In a couple of instances the instigation of a rigorous tender process was identified as driven by the funding department's minister, because they were wanting better quality data on what the funded organisations were doing. These types of requests unduly burdened organisations.

In summary, the results show that both adopters and non-adopters were feeling the strain of meeting the administrative requirements associated with government funding. This lead many of the adopters to apply the skills gained through meeting the more rigorous arrangements, to business-focused avenues that were perceived as having less administrative demands. The non-adopters were struggling under the weight of demands, but not interested or able to forge other significant resource options.

6.2.2 *Inadequate Coverage*

Interviewees criticised government funding agencies, for 'purchasing' services, but only paying for direct costs associated with services. The full cost of

services was not funded, such as the costs associated with maintaining an organisation in order that it can deliver services. A board member from a non-adopter remarked:

> The funding for that program covers teacher hours and resources, there's no extras so I have to get around the community and find money to run a breakfast program for the participants and also to pay for uniforms and to pay for the laundry of their uniforms, because the majority of my participants are young Indigenous kids from up at the housing estate. They don't have access to laundered uniforms and turn up not having eaten.

Interviewees from both the adopters and non-adopters accounted how government provides only marginally for direct service delivery, and are not much concerned about creating sustainability within organisations. For instance, organisations reported that the purchaser-provider model did not allow organisations to roll over surplus to invest in their own development. This ultimately restricts their capacity to seek resources through other means. One board member from an adopter organisation suggested that:

> It's capacity and capability building that is the main issue. They cut you to the bone by saying, we want one thousand of these widgets for this amount of money but nowhere in there is staff training, is there organisational development, room for strategic planning. If you produce the one thousand more efficiently they will claw back the surplus. That never happens in a true market economy. I mean the thing is, if they want the purchaser-provider model they should be paying the full price for it, not the cut down version because that to me is what has happened with the community sector.

Interviewees reported that many government contracts assumed a nonprofit organisation could give a cost neutral service to government and make 'profits' on other 'customers' in order to enhance its viability; as if it were a stationery supplier. To be competitive in winning government contracts it seems an

organisation has to be in a position to offer in-kind gestures. One non-adopter interviewee quizzed, "How can you? You're not three or four people deep like they may be". One adopter board member, with a business background commented:

> Government cut a lot of stationary suppliers to the bone, but the company survives because its got other customers. Social service organisations are not in that position. This orientation encourages organisations to seek other resource suppliers as if in a true market economy.

A major problem reported by interviewees, was the restriction to service numbers negotiated and costed at the inception of the contract. If actual numbers vary during implementation there is very little altering of the funding to meet the needs, except to claw back funds if the targets are not reached. However, if the number of people accessing a service substantially increases – some organisations talked in the vicinity of doubling of numbers – the organisation is informed they need to meet increased demands through displaying greater efficiency and continuous improvement strategies, which involves an organisation working 'smarter'. People spoke of the difficulty of managing number restriction at the coalface; of having to put people with high needs on long waiting lists. One non-adopter interviewee talked about being:

> caught between a rock and a hard place because we made a bit of a decision that whenever we apply for funding we put in for *real* funding, which means how much it really costs, how many workers it requires to actually do the job.

Those non-adopters taking this approach stated they had been unsuccessful with a number of applications of late and were stepping back and having to think about whether, 'to play the game' or to not compromise and seek resources elsewhere. Others had reached that point but had not been successful in finding alternatives, or were resistant to consider other options that involved

business ideology. The difference with the adopters is that they were more advanced and focused on seeking resources elsewhere. Some were still struggling with the ideological tensions, though most were pragmatic about developing a social enterprise or business partnership.

One adopter organisation commented that they "virtually sort of abandoned even trying to get government funding a few years ago" due to their unwillingness to cost tenders less than what it would take to deliver the service. Organisations provided examples of how tender specifications, such as geographical coverage or output units, were unrealistic within the range of money government were willing to pay. Some organisations were willing to 'play the game' putting forward tenders knowing full well it would be an impossibility to fulfil the requirements. This could be creatively dealt with in how they reported back to government. Many spoke of there being an accepted culture of each party telling the other what they wanted to hear.

Frustration was expressed that under the current political system there was little room for increasing funds for existing services, as government prioritised the establishment of *new* services that could be promoted in electorates. Nowadays newly purchased services were often not recurrently funded, instead they were one-off, time-limited grants, and organisations had to find alternative resources to sustain the project into the future. One manager in a non-adopter organisation reported, "It doesn't make sense to purchase a service and not be expected to provide growth or top up funds." Another non-adopter executive officer commented:

> Politicians lose interest in properly funding really solid programs that are clearly successful in terms of clients getting a lot out of them, because they have been around for many years and so they don't seem sexy and new.

The high staff turnover in social service nonprofits appeared related to staff being employed in a situation where the funding doesn't cover direct service delivery, let alone staff or organisational development. One adopter executive officer had reflected on this, commenting:

> It's almost at the stage where we think it's barely worth us having those projects. It's probably costing us more money than we get to run them. So no there's not enough money in those projects to develop the people or the organisation. Thankfully we get that from other sources.

There seemed for many to be a contradiction with both state and federal government purchasing services on one hand, and then saying to nonprofit organisations that they cannot rely on the government purse for long-term sustainability; that they have to find innovative ways to top up their program funds. "It is impossible to do both", reported one manager in a non-adopter case study who was genuinely struggling with balancing the books in the face of growing demand. The same manager reported:

> How can we stretch x amount of dollars to cover a rapidly growing need within a service that's growing faster than itself? The catch cry among the management committee, the management of the organisation and particularly out in the community, is that everybody is so busy trying to meet the burgeoning client needs so don't put this other requirement to get resources from business on us.

Interviewees suggested that perhaps government needed to broaden funding commitment horizons to about five and ten years, instead of twelve month contracts which are still very short range, to truly say, "Well, at the end of that time we hope to have an average return of x, accepting that were are not reinvesting everything into the next year". This would require a commitment to allow organisations to manage their surplus and government to review

significant increases in servicing costs. One board member with a business background, from an adopter case study remarked:

> We need a model that will allow you to accumulate surplus provided you're going in an accepted direction and achieving your outcomes. Government, through the bureaucracy at the moment, is not prepared to do that. We recently had a debacle where one department was getting all the organisations to start tendering for their recurrent finances for the coming year and the problems that that caused! Well, while they had the bureaucracy doing that, the amount of time, money and effort that went in to putting that tender in place, for it to sit on the table for the eighteen months that it did. With no future as to what we were going to do after the twelve months. This is no way to run a business. Unfortunately, people who work in the bureaucracy in this area, have got no understanding of what commerce, and what business, is like. So introducing purchasing is really a farce.

Having security in the tenure of an organisation's funding is one issue organisations in the research were grappling with, but even where there were instances of government committing to long-term contracts, this did not remove the funding inadequacies in those arrangements that got worse over time. Some organisations were running programs that had had recurrent funds for over ten years, with no increase in the funding amount during that time, despite some significant increases in expenses. They commented how in reality the government was no longer buying the same amount of servicing – despite publicly promoting that they were - as costs and demands had kept going up, but the funding hadn't.

The paucity of some organisation's funding was heightened through major hikes in insurance costs and the introduction of Goods and Services Tax (GST) in Australia. Both the adopters and non-adopters organisations talked about "having to scrape together money for that [GST] and it had to come from the

program funds". Then there was the issue of substantial social sector award salary increases in some states. This ended up a political 'hot potato' between federal and state governments, with no one wanting to claim responsibility, and services having to eat into their program funds to pay their already under remunerated staff.

In summary, the interviewees had much to say about the failure of the government purchasing system to pay the full costs for social services delivered through nonprofit organisations. The adopters tended to have the presence of businesspeople on their board, who in a number of cases became champions that negotiated with government officials for changed conditions to the organisation's contract, so there was less stripping of organisational capacity. In addition, the inadequacy of the situation became a motive for trialling new resource mobilisation approaches.

6.2.3 *Lack of Flexibility*

Interviewees in both the adopters and non-adopters reported they found social programs increasingly shaped by departmental and ministerial staff in a way that tended to serve the governments political and policy interests. The flexibility once found in the submission based funding model that incorporated the experience and knowledge of nonprofit practitioners for identification of priority need and the designing of responses, has been largely ignored in contemporary purchasing arrangements. Both types of organisations reported efforts to try and get government to see the tremendous returns for the community, "that could be achieved if they [government] just really understood it from the peoples' perspective" (adopter, executive officer).

Common reports from both adopter and non-adopter organisations included how the purchaser-provider arrangement inhibits efforts for adopting new and innovative service delivery approaches. Firstly, it was suggested that it is hard to be innovative when an organisation has to stay within rigid program guidelines. Secondly, there are restrictions on being adaptive and creating more responsive services when an organisation is barely surviving. In relation to this first point, one executive officer from an adopter remarked:

> There isn't a feeling that innovation is being supported and with recent funding rounds and a whole range of different things, it's really coming through that the priority is around financial management and numbers and it's not around innovation because innovation costs money.

Many adopter interviewees talked about how inflexible the purchaser-provider model had become, and said that in order to respond to local needs and achieve positive outcomes they had to go outside the rigid guidelines set by government centrally. It appeared that with most funding departments there was not much room for negotiation, or any such opportunity to discuss contract parameters. One adopter board member reported, "They basically say this is what you are getting and that's it, take it or leave it". Organisations would have to stay within the parameters set by government, or else hide their innovations. When it came to reporting, "people told government what they needed to know" (adopter, staff).

Organisations could see the benefits of more rigorous tender processes and evidence-based targeting of services; though they were sceptical that governments actually used evidence in administering their purchasing responsibilities. The methods used appeared out of sync with the ends sought. Many organisations reported offering quality services that are highly valued by clients, but despite that ended up de-funded as there, "just wasn't any box for

the government to squeeze them into when they develop their output frameworks".

Fortunately, it was observed that over the research period a number of government programs were beginning to introduce greater flexibility into purchasing contracts, though there is a long way to go. Both the adopters and non-adopters expressed frustration with the lack of flexibility. Though clearly the adopters had reached a critical point of action where a choice had been made that they wanted alternative options to alleviate their frustrations. The next two sections distinguish the adopters and non-adopters in terms of their response to the frustrations with government funding. One dimension was the adopters could no longer see themselves surviving in the way they needed to deliver their mission, if they continued to rely predominantly on government. The other was to respond to the lack of flexibility in government funding through a search for greater levels of autonomy, independence and freedom. The next section reports the data coded to the 'survival' node, the following reports the data clustered under the 'independence' node.

6.3 Survival

For many adopter organisations, support from government had reached a point where they were 'running on empty' and where the need for change in acquiring new resources had become great. Whilst the crisis extended across all organisations, the essential difference between the adopters and non-adopters appeared related to the extent to which they had reached a 'tipping point' and wanted to influence change in their precarious position. Many of the adopters had previously relied on government funding as a proportion of their total revenue at much higher levels than currently depicted in Table 2, which presents the proportion of funding from various sources (see Chapter 4). For

some adopters this reliance extended to up to ninety per cent prior to implementing resource mobilisation changes. However, the experience of crisis in the adopters wasn't always related to the actual level of dependency an organisation had upon government. It was also about the perceived burden of contracting with government.

Managers expressed particular stress at not being able to run the organisation appropriately and therefore the need to find new forms of resources. A quote from an adopter organisation highlights this:

> When we relied mainly on government funds we trimmed absolutely everything...one reason I had to look after people was that I couldn't afford for them to get sick. Services had to shut down when staff had holidays. I mean there was no cover left, there was nothing left and we were running on people's good will.

The following statements come from the adopter organisations and reveal the desperation that drove a diversification in resource mobilisation: "Everyone realised that unless we diversified we were out of business"; "So it was very much a necessity...Yes a survival instinct"; "I think everyone is heading this way, you've got to or you'll get left behind and go under"; "We realised that unless we did something that the organisation is going to slowly wither"; "We were driven. I think we'd come to the realisation that the writing was on the wall"; "I mean basically it seemed like the department wanted to close the whole shop, so that was the thing. Another department came to the rescue and said that they would fund but it was minimal funding". It is clear from these statements that the need to survive was driving people toward changing their organisation practices. Some enthusiastically embraced social enterprise and business partnerships as an option; others seemed to do so more reluctantly.

One adopter interviewee joked about changing the often referred to nonprofit sector name to "not-for-loss sector" to get it across to government that "organisations can't run at a deficit". One organisation, before establishing its social enterprise, did have a very significant deficit due to government funding not meeting demands, and commented, "I suppose that [the deficit] has been an influence in where we are going". Another adopter organisation had assessed it needed an additional $100,000 external to its core government funding to survive and so "began thinking about external support from business". One adopter agency, although providing services in high demand - to abused children and families in crisis – had previously questioned whether they should continue due to their precarious government funding situation.

The adopter interviewees with business backgrounds, held the view that diversifying resources was an essential way to manage risk. The adopters also perceived that serving a social mission meant an organisation needed to diversify its resources if it wanted to provide innovative services that current government resources didn't allow. Thus mobilising resources is about pragmatic survival, but in the context of creatively meeting the needs of the vision and mission of the organisation. Checks and balances were considered important in this process, so that seeking new resources aligned with mission, and the will to sustain the organisation was for the right reasons.

One executive officer, from an adopter organisation, reported that the lack of government funding drove the organisation to create alternative means of obtaining resources and building solid relationships with the wider community and with corporations. It's not just a lack of funding but also the insecurity of funding that was part of the crisis organisations reported. One of the adopters had merged another organisation into it, as it had gone from a lucrative contract to an unsustainable contract in a subsequent funding round.

In another instance the minister from one government department announced 'vacating' an adopter organisation's funding, along with thirty-five other groups for political reasons. The word 'vacating' was the terminology used, a staff member in the organisation cynically highlighted. The adopter organisation faced closing down due to losing its main income source. The environmental shock catapulted the board into being much more strategic in thinking about diversifying its resource streams. The organisation's executive officer reported:

> So our energies were severely diverted in the campaign to retain our funds and only in June this year did we know that we were home and hosed. The insecurity really did put us back, so although I've been here four and a half years in some ways it feels like I've only been here two and a half years in terms of trying to develop anything.

Organisations talked about the level of funding currently available to be minimal in meeting the overheads of running core programs. So survival 'by the smell of an oily rag' had become the norm, and for many of the adopters it had worn thin:

> It might be $700 for a program or it might be $12,000, but it's still quite small funding in the grand scheme of things. So I guess that lack of government funding has had to drive us to creating alternative means of surviving and building solid relationships with the community and with corporates.

Whilst the non-adopters struggled with the nature of government funding, for many they still viewed government as the agent with responsibility - as espoused in a welfare state model - to fund social services. On the whole, the non-adopters had not turned any sense of dissatisfaction they had with relying heavily on government funding, into seeking resources through private

sources. It seemed that the situation hadn't reached that critical tipping point, as it seemed to in the adopters. Some non-adopters clearly thought about having independent income as well, though were less sure of how to go about it. Often ventures were framed as possibilities further down the track or as a community development exercise they might try one day. Many voiced how a limited capacity was stopping them moving in that direction. Others were clearly ideologically opposed to the options of social enterprise and business partnership, despite their possible pragmatic value. For many they were still happy to operate within the bounds of their reliance on government funds.

The following statements are from interviewees in non-adopter organisations and highlight some of the points just raised: "I was very fortunate that when I came in to the position of executive officer the organisation was in a fairly stable situation in terms of government grants"; "We have a number of recurrent funding sources, which takes pressure off to some degree"; "So we have pretty solid funding from government for our basic services"; "Oh definitely most of our programs do get government funding". Some were in transition and aware of change underfoot, "it's such early stages looking for other sources"; most aware of the direction and resigned to its pull, "we are going to have to eventually"; "We can't avoid doing this [seek partnership with business], it isn't a preferred pathway to funding"; "We will be dragged there screaming".

The results show there is a variety of responses by interviewees to managing the sustainability needs of their organisation. The interviewee comments in this section show there are some inherent differences between the adopters and non-adopters, in the level of interest and readiness to consider business-focused resource approaches. A similar divergence occurred in the degree to which the adopters and non-adopters were actively searching for a degree of

independence from government. The next section presents the information that was clustered under the search for independence node.

6.4 Search for Independence

Another element of the crisis driving organisations to diversify their resource base away from government dependency concerned *what* and *how* they were being asked to deliver social services. Looking at the organisations researched you could see a development process they had transited through. Beginning as a group of informal volunteers, they progressed to gaining government funding. Usually this started out as small amounts to begin with, but grew to form the dominant income source. As the dependency on government grows the organisation passes through a transition point, where not only does the government think it owns the organisation, but also the organisation thinks it belongs to government (Saidel 1993). For the adopters, social enterprise and business partnership appear to be a means to overcome some of the dangers of this dependence on government.

The data showed people in the nonprofit sector experiencing a frustration that they were not masters of their own fate. Some of the adopters were searching for a higher level of freedom, such as reported by an organisation with money from a business partnership, "we are able to spend money on things that you never have money to do when running a government contract". One board member of an adopter organisation suggested that a positive with non-government resources was that they had a whole level of freedom and ownership beyond where government could go.

One interviewee from an organisation strongly linked in with corporate partners, mentioned that in securing business resources there is still a

responsibility to the corporation, but this exists within a supportive interested group of people that are committed to the cause, "or they wouldn't give us the money or be involved in whatever level they are involved by volunteering for us". People reported that the corporate partners involved in their business partnership wanted 'hands on' involvement but not control. This was in contrast to liaising with bureaucrats who wanted the opposite and have a very different level of engagement and interest, particularly when they take a monitoring role.

A driver for independence was to have an organisational culture that was not like a mini bureaucracy, with silos built around program lines, but more responsive to one's own mission and vision. One adopter executive officer talked about a benefit of resource diversity meant they:

> Don't become a mini government department which is very important because you're not a NGO if all your money comes from government, you're a government department being paid to deliver what they want.

People noted in a purchaser-provider framework there was less scope to freely deliver locally based innovations. This frustrated many organisations particularly those who wanted to incorporate community development type approaches, which have less easily articulated outputs. It also concerned those committed to tackle problems in-depth, rather than just have a presence but no capacity to be truly responsive. The quote below highlights one adopter board member's views on this point:

> For the amount they were giving for the service they wanted to deliver, it wasn't achievable. When you do the numbers you wouldn't be able to provide a proper service. You could do some good things no doubt but how the submission was written and what you were supposed to achieve was unrealistic and you wouldn't be able to make a meaningful difference

> to each school site, and that is important to our mission. I think the successful applicant has been quite successful in networking across all the sites but not actually doing anything tangible. We just did not apply for it, as it did not look like us, we need to be able to make a real difference not just have a presence.

A desire for independence was also pursued so that innovation in service delivery could be freely implemented. Strict output based models of funding locked organisations into providing a particular type of service for the duration of the contract, even though the organisation might have identified more innovative ways to meet the needs of the target population. Paradoxically, many organisations struggled with gaining government support for an issue, but when they moved out and got independent resources that enabled them to creatively tackle social issues, government started to stand up and take notice. One manager in an adopter organisation light-heartedly commented:

> It's kind of funny because we come up with new ways of working with people with disabilities, and at the time government are not interested in listening to us. We got this partnership with the corporation and went for it. Then we get contacted by government who want to implement our practices at a wider level. It often happens that they then get the credit or take on the intellectual capital. Many government contracts allow for such stealing of ideas, so to speak. We don't mind, as at the end of the day it's about having services for people with a disability.

A couple of adopter organisations reported government being attracted to the results that emerged, when they had the freedom to trial new things free of government prescription. One adopter executive officer interviewee commented "they then come and say, well this is a great service, can you do x, y and z for us?" Another adopter executive officer reported:

> So the growth has been astronomical. So I think we've got a good name out there because we are free to do things differently which is really proving the point, because the government doesn't come to anybody and say, hey, can you do this contract for us? Because that's not the way they generally work. But they have been knocking on our door.

This experience of having the freedom to pioneer, and government seeking to draw on the resulting intellectual capital was commonly reported, "Politicians, after all, want good news stories and to be associated with what works best". This dynamic highlights the potential that exists within nonprofits to push the edge, particularly when they have the freedom to do so. Those with long time experience in the sector referred to how the "grass roots generation of ideas for programs was replaced with what government wanted to buy" and how that had been "the single most enormous change in our relationships with bureaucrats". The change reportedly went from a sharing, cooperative arrangement to one focused on monitoring outputs.

The positive developments adopter organisations had been able to carve in reclaiming some independence reveals the limitations of bureaucracies to generate new ideas, and the unintended restrictions upon innovation through the normal government contract regime. A couple of the adopter organisations had developed a research and development arm – albeit even if it only equated to one part-time person – they funded through their alternatively acquired resources. It seems this was essential if an organisation was to meet the future confidently and seek new innovation that could impact upon their social and economic bottom lines.

The larger charities had been heading in this direction of upon the fruits of their labour. Some adopter interviewees were sceptical about drawing on the large-

scale charity research, often city based, for use in very different contexts. They saw this as not that much different to government telling people, "What they should do instead of listening to the community and what they want". In a smaller organisation, investing in research and development shows a big commitment to finding new ways of working. More is reported about this in the next chapter on organisational capacity.

It seems that organisations are both pushed and pulled toward being independent from government. Some social service nonprofits seem proactively interested in creating possibilities to be more independent of government, but synonymously pushed there by the inadequacies and frustrations of government funding. Many organisations want *some* independence, as one interviewee from an adopter organisation reported, "I think our dream would be to have enough non-government funding to ensure the organisation could continue to provide services if government funding dried up". However it was clear organisations needed support to create viable and sustainable alternatives.

In the thesis introduction, reference was made to an organisation that had had its funding cut from government who was encouraging them to secure resources from business. The weakness in government promoting funding diversification to that organisation was that it came from an argument of "the evidence tells us we [government] have greater priorities elsewhere, so we suggest you top up resources through business: see you later". Such an orientation ignores promoting the benefits the organisation could gain through resource diversification. It also fails to provide the means and support that might enable an interested nonprofit to build new resource opportunities.

All organisations still saw the vital responsibility of government to fund essential social services and could not envisage privately generated resources addressing the full range of issues managed by the sector. However some adopters didn't want government involved in some of the programs offered through their social enterprise or business partnership, as it would compromise the independence of the stance they needed to take to be effective. Particular examples given were securing independent resources for advocacy and of the provision of services in new and innovative ways that fall outside the government of the day's parameters.

In relation to advocacy, organisations expressed a concern about how the advocacy role was changing and how they were being more compromised in government contracts, and there was increasingly less willingness to fund that function. Yet government still had the expectation that organisations should consult stakeholder groups and represent their interests to government in a more defined instrumental way that aligned with endorsed objectives. One adopter interviewee referred to this type of advocacy as 'supportive advocacy'. More is said on this in Chapter 13 on consequences.

Some organisations were driven to find alternative resources because they wanted to make permanent changes in people's lives, rather than 'bandaid' ones that they felt government resources and current program guidelines provide. One organisation gave the example of exploring ways they could get poor people to own their own home. The organisation was seeking private funds, as government could not endorse using its rental-housing subsidy to contribute to the cost of a home loan. A 'government knows best' attitude and the controlling relationship of government bureaucrats urged people to find some resources that they could use freely beyond these bounds. One adopter staff member commented:

> We had a number of occasions where we were told 'this is the only way that the money could be spent' and there has been a lot of rigidity in that. I don't think the community has been listened to when people were saying we need something other than what you are telling us we need.

Independence can lead an organisation to be in a stronger negotiating position in the long run. There appeared to be a noticeable pattern in the adopters that increased independence and business expertise spawned a greater confidence to negotiate with government. A number of the adopters talk strongly about how they had become hard-line with government and able to argue for government contract conditions based on their terms, for example specifying a reinvestment in surplus funds. One adopter board member with a business background was adamant on this point:

> You can't have an output model and take back any left over at the end of the year. We learnt a bit slowly but in the end we went no, no, no; if it were BHP doing this and they managed to do it more efficiently they keep the dough and so we were going to do that. So we have argued successfully for that, and for the last 2 years we haven't returned any surplus.

Whilst adopter organisations were more on the 'front foot' in creating new revenue sources beyond government, some of the non-adopters were still struggling with a sense of injustice that government had abdicated its responsibilities by not meeting the full cost of programs. Though some of the non-adopters 'could see the writing on the wall' to diversify their resource base, they felt that the mission that the organisation served was a government responsibility to resource. One non-adopter board member quizzed, "I thought it was governments' responsibility to provide services for families"? Many non-adopters viewed a well-funded welfare state as the most appropriate approach to meeting social needs, based on a citizenship rights model. The

organisations wanted greater freedom to serve people in need, but it was within the bounds of more responsive government contracts.

A comparison between the adopters on their need for government support and how well this is being met is depicted in Figure 2 below. Figure 2 indicates that both the adopters and non-adopter rate their *need* for government support very highly. In addition, both indicate that the need is not being *met* at very high levels. Though the non-adopters have slightly less of a gap between their identified need and how it is currently being met. Adopting business-focused practices doesn't appear to reduce the perceived need for government support greatly. This finding lends support to the notion that it is not *total* independence that the adopter organisations were positioning for, as they recognised that this would not serve their organisation and constituents well. It was a new way of sustaining themselves that placed government as one investor in a more diversified portfolio.

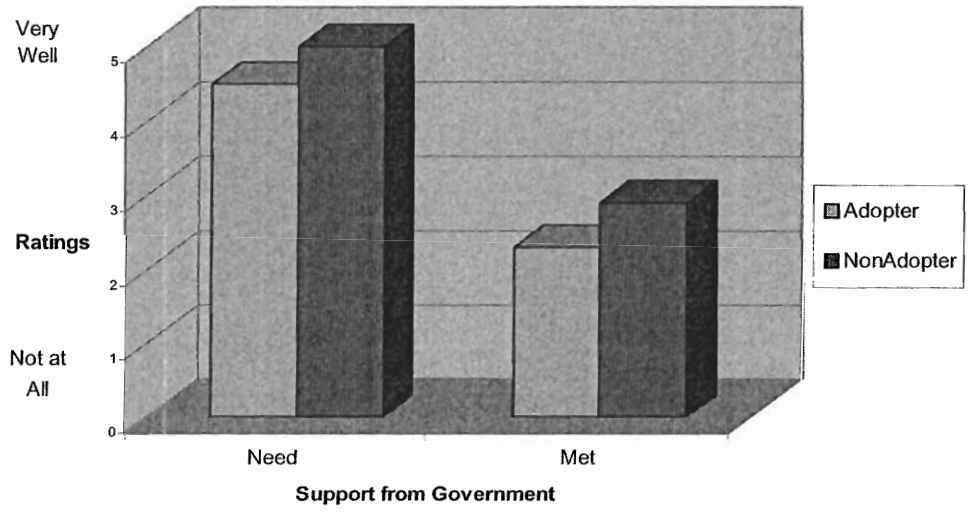


Figure 2 - Comparison on the need for support from government

6.5 Conclusion

The nature of government funding was experienced more strongly by the adopter organisations, as constituting a crisis situation that required action to ensure survival and enhance independence. Adopter organisations appear to have actively sought to move beyond scraping together the resources from government in order to survive. They had headed toward developing alternative resource strategies, which in combination with government grants allowed them to thrive.

Thus the adopters were using social enterprise and business partnership to put sustainability in their own hands, rather than relying on the view that government is their one and only rightful protectorate. Though the adopters expressed remorse in the reduction of a citizenship rights funding model in the current welfare state arrangements, they tended to be pragmatic about operating within the political landscape and saw creative opportunities within the push toward business oriented resource approaches.

Social enterprise and business partnership practices could be both a means and an end. Both practices facilitated organisations to achieve mission accomplishment more innovatively than government funds allowed. Thus adopters embraced diversifying their resource base through private sources, with a sense of pragmatism and enthusiasm. However, in some organisations there were mixed views about business-focused approaches and diversifying an organisation's resource base was seen as pragmatic, though embraced tentatively.

In either case, a crisis in a nonprofit's relationship with government appears to exert a strong influence in positioning an organisation to consider business-

focused resource practices. However it is just one aspect in the process of an organisation moving toward such practices. There are other important conditions also reported in this results part of the thesis. Organisational capacity was a key variable identified from the coding in NVivo as influencing the adoption of social enterprise and business partnership. We shall now turn to exploring the data relating to this variable in the next chapter.

CHAPTER 7 ORGANISATIONAL CAPACITY

7.1 Overview

The NVivo coding process revealed organisational capacity as a key condition associated with the successful adoption of social enterprise and business partnership. What the condition refers to is the presence of specific organisational elements that provide capability for adopting innovative resource mobilisation practices. The four organisational elements are: structure, strategy, human resources and financial capital. These elements emerged strongly in the coding of the interviews, with interviewees referring to their importance in explaining why their organisation could successfully adopt a social enterprise or business partnership or why it could not. There was a lot of repetition in making reference to these elements and importance placed upon them. The results in this chapter are reported under each of the four capacity elements.

It is important to note that the capacity node was specifically constructed in relation to the task of adopting a social enterprise or business partnership. Organisations may have had an absence of capacity across the four elements in relation this activity of interest, but claim strength in some of these areas in relation to other activities - for example human resources specific to providing therapeutic services.

In terms of sequencing, a degree of organisational capacity was antecedent to the adoption. Capacity was also strengthened through the process of adoption, and therefore reported as a consequence of implementing a social enterprise or business partnership. The importance of organisational capacity as a precursor to adoption was highlighted in contrasting adopters with non-adopters. The

non-adopters had an openness to consider business-focused activities but were missing the elements of capacity to turn that interest into an outcome. However, an organisation may not need a specific intention to develop a social enterprise or business partnership in order for organisational capacity to play a role in adoption.

For instance, one adopter had internally developed a strategy to diversify its resource base, though had not specifically considered a social enterprise or business partnership, when one day they were approached by a corporation wanting to interview one of three small local organisations to form a partnership. The corporation was interviewed as part of this research and asked why it chose that specific organisation over the other two. Firstly, it emphasised that it was impressed that the nonprofit organisation had already started to think about alternate resource options. Secondly, that the organisation had an executive officer with the capacity to understand business ways of thinking. Thirdly, that the organisation had a defined role for handling fundraising, marketing and promotion (albeit even though it was only a small proportion of one person's role) that made liaison and decision-making processes flow smoothly. This third point relates to building capacity through structure and is discussed in the following section. The corporation's answer highlights the importance of some of the capacity elements discussed in this chapter.

7.2 Structure

Analysis of the data identified the importance of structuring organisational arrangements for resource mobilisation purposes. Ideally this should complement and not subtract from service delivery capacity. This is something the adopters paid more attention to than the non-adopters. The research

identified how the adopters designed their structure to include public relations, marketing, research and development and sometimes a business arm. This often involved redesigning existing program structures to make them more integrated and thereby free up resources to put toward resource mobilisation.

For example, one of the adopters had a number of program managers running separately funded government programs. They had restructured these silos by creating one operations manager to focus across all the programs. The restructure created space for an entrepreneurial manager, whose job it was to take up a focus on innovation in resource acquisition. Another adopter restructured to have a public relations position for a three-year term to develop corporate relations. Adopters were strongly of the opinion that the organisational structure needed space to attend creatively to resource mobilisation. They reported this needed to occur despite the strain on existing resources and high demands on service delivery.

The non-adopters tended to structure exclusively for their service delivery needs, they struggled to take on resource mobilisation tasks within that structure. The way many social service nonprofit organisations have been structured relates to the arrangements of government funding. Often this creates 'silos' between the different programs, which in turn prevents creative synergies emerging between programs. Adopter organisations tended to be more proactive in creating new structures that drew out synergies and reduced overlapping tasks. This sometimes involved seeking partnerships with other organisations to reduce backend administration processes. This included exploring opportunities for cost-sharing, leveraging assets, and streamlining systems and processes, in order to maximise in-flowing resources and reduce on-costs and waste. Simplifying red tape administrative processes was reported as essential for organisations of limited size, in order to increase their

capacity for other things, otherwise the organisation's executive officer tended to 'drown' in non-value-adding activities.

Part of structuring to have innovative capacity commonly involved establishing a research and development role that could generate ideas for resource mobilisation. Having research and development in an organisation's structure was an investment in looking ahead and tracking key trends in resource mobilisation and service delivery. This was found to generate business-focused resource options, but also opportunities to influence government and secure government funds. As one board member remarked "you see where governments are going to be in one to two years and you hope you'll get in before they'll tender things out".

In another instance, restructuring involved creating space in the organisational structure to explore commercial opportunities. For most social service nonprofits it is unusual that they have capacity for this. One organisation tackled this challenge by employing two -project officers on a specific contract that required them to find social enterprise opportunities, sufficient at least to cover their salaries within twelve months. Another way that an adopter organisation structured to create innovative capacity, was to develop a sub committee of the board to look at resource mobilisation. One non-adopter had also instigated this model though it yielded little productive outcomes. What happened to make such a strategy successful in the adopter organisation was that the structure didn't become disconnected and ideas flowed between the staff and board. Having people with the right skills was also important. This point will be discussed further in the section below on human capital.

One non-adopter felt positive about the value working with businesses might bring to their mission of helping young Indigenous people. But they didn't see

how their current organisational structure had the capacity to head in that direction. They felt that if they had the capacity to move that way they would want the personnel developing corporate partnerships to be linked with service delivery to keep their 'finger on the pulse', so to speak. This comment is from the organisation's executive officer:

> The problem with capacity is exactly right. While we see that going out seeking businesses to work with would be great for the kids we help, we would need the resources to focus on developing those partnerships. It's definitely a full-time job. Whoever does that job- they need to have links with the kids as well as the business, without a doubt. I think, even though you would be working at a top level getting a partnership together, you still need involvement with the grass roots so you know what's going on there.

Most of the small and medium organisations that participated in the research were not seeking to grow the organisation to a large size so that it would end up structured like a bureaucracy though it was reportedly important that an organisation was of an adequate size to develop beyond 'small management' practices. It is a stretch for small organisations with limited capacity to implement modern management practices. Despite the interviewees' sentiments that 'small is beautiful', they were aware that larger charities had infrastructure that made it more likely that they could be self-sustaining through having business arms that could generate large sums of income.

Although adopter organisations had created structures to facilitate innovation, one consequence of adopting a social enterprise model was that the need for restructuring continued. It seemed natural when setting up a social enterprise arm that there beare a number of transition stages where an organisation reconsiders the most appropriate structure. Below is a reflection from one adopter board member in relation to this issue:

> I think ultimately the organisation will look towards splitting, even if it's got to set up a minimum of two organisational structures: one the charitable side, and the other one the commercial side. To reduce the essential conflict that is ultimately going to come because the philosophy to run, for example, a consultancy organisation, is entirely different from the mind set and culture to run the charitable work. That will ultimately need to be done, and it will need to be done for all our commercial businesses. I don't see that that changes the direction or mission of our core organisation. It's just another way of setting something up in different cost centres.

The above quote highlights that creating a structure that incorporates two different organisational forms - a commercial entity and a socially focused one - is a complex undertaking in legal, cultural and operational terms. One adopter manager mentioned how when splitting off their social enterprise into a private structure, they needed a new manager with the right skills for the enterprise, so they themselves could focus on the programs because both were, "totally different in how they needed to be run". Although in saying this, organisations also reported the importance of having integration between the part of the organisation working from a business model, and the socially focused part of the organisation. This was to ensure they both were linked with the mission of the organisation.

Ultimately it seemed adopters wanted to have a structure that gave capacity to mobilise resources in order to more effectively achieve their mission, but was small enough to remain locally responsive. In fact both the adopter and non-adopters communicated they were "anti-empire building". Empire building was an approach they felt some of the larger charities had adopted. Many of the organisations wanted to keep a structure that allowed them to "stay connected with the grass roots". Many interviewees suggested that organisational size was definitely not the success indicator, which it seemed to

have become in the national charities whose mission was to grow and expand. The organisations interviewed were interested in increasing their resource base but not if it meant disconnecting with local communities.

A final note on structure is that interviewees reported it did not automatically give an organisation a leading edge in manifesting innovative resource mobilisation characteristics. Arranging the components of an organisation helped create the right foundation to develop innovative resource practices, but the strategies employed through that structure and the people who employ them were highly important. These two variables are now considered in turn.

7.3 Strategy

There is a wide range of meanings that the idea of strategy in organisations can encompass. Strategy in this thesis is primarily an orientation taken toward the skilful management of the organisation's environment, including the careful planning to look for new areas of activity and resources. Informants emphasised this by using the term 'strategy' to refer to an organisational orientation, not just to a process or a plan. Some organisations more clearly had a culture reflected in its processes and artefacts that imbued a strategic orientation to managing its sustainability and these tended to be the adopters. As reported in the previous chapter, the research identified that the adopters had a greater comfort with utilising strategic plans. A quote was provided from one adopter executive officer that was positive about the increased government requirements, as they have resulted in taking a more strategic orientation to the organisation's planning and processes.

The adopter organisations more frequently had strategic plans focusing on how the organisation could be more entrepreneurial in seeking new ways to

mobilise resources, whereas the non-adopters tended not to have made it a significant planning issue or strategy. From coding the interviews and supporting documents, it was clear that having an innovative capacity for resource mobilisation appears to require an organisation to have the market discipline of strategic thinking, planning, rapid decision-making, creative problem-solving, flexibility and perseverance. Qualities also found to be important included inquisitive and inventive thinking and the ability to be future focused.

Strategic planning processes help strengthen the type of thinking required for implementing an organisation's strategic orientation. However, despite the value of a strategic plan in giving direction, adopter interviewees commented that it was important in embracing an entrepreneurial culture, to make good decisions amidst chaos and change and be open to opportunities outside one's plan. For example, one adopter organisation had a corporation offer a beautiful building rent-free in an area that it hadn't focused on establishing services. In fact their strategic plan had an area in a totally opposite part of town as their focus. The adopter executive officer in this situation commented that, as an innovative organisation:

> You are very much driven by the opportunities that are presented to you and we find that so many opportunities are coming all the time that whilst you have a strategy and you have that in mind, if you stick too hard to it you'll close your mind and doors to things that are opening to you, and this one we took because we did a lot of work analysing whether...you know, we obviously had to put some money into it but we can't afford a lot of money, we don't have a lot of surplus funds, but it was an amount that we could afford at the time and it was a punt.

The above statement highlights the importance of managing risk. The ability to respond to new opportunities and make rapid decisions was considered important to avoid getting stuck in inertia and fear of change, though this needed to occur within a risk management framework.

Interestingly, guilt was suggested as preventing people trying new things. Some non-adopters interviewees reported feeling guilty by putting money into activities that developed the organisation, being more comfortable with resources flowing directly toward clients. Letts, Ryan and Grossman (1999) questioned this ambivalence, which nonprofits have about strengthening themselves. They highlight the limitation of purely focusing on the social impact of an organisation, at the expense of the capacity of an organisation and its role in creating social impact. Getting this balance right is discussed later in the chapter on consequences. One highly innovative manager from an adopter noted:

> You can see people want to make things happen but they get stuck on how to make it happen, and it appears in part that people sometimes lack vision in terms of the big picture. They don't know how to think strategically and also get stuck on *why not* instead of *how to*. It's our ability to do this that continues to make this a pretty exciting organisation to work with. It certainly is a great opportunity to work here.

Some of the non-adopters tended to see strategic plans and associated processes as things "that bureaucrats made them do", with even the managers resisting strategic planning. One non-adopter manager reported:

> I mean I have to say we've just been through the agony of developing a strategic plan. I have to say in principle that those sorts of activities often satisfy bureaucracies but don't actually achieve very much.

Whilst both the adopters and non-adopters engaged in planning processes in order to meet requirements in their government contracts, the two tended to approach and perceive the value of the activity very differently. The adopters tended to use strategic planning to envisage a new future for the organisation, so it became a tool to build a sustainable organisation integrating alternative resource options in to the planning processes. The non-adopters spoke about strategic planning as an activity that had been foisted upon them by government, who were trying to import tools from the corporate world, and legitimise them in the nonprofit landscape.

The resistance expressed by the non-adopters, does not indicate that they were not committed to running professional organisations with clearly defined and planned activities. However their emphasis was on prioritising their focus at the service provision level, whereas they felt government prescribed planning was more directed at corporatising organisational practices with little benefit for constituents. This disjunct between nonprofit organisations (particularly smaller ones) and government perceptions, of the nature and value of organisational processes, was noted by Australian researchers Meagher and Healy (2003) in relation to performance measurement systems in child and family welfare services.

The non-adopters could be described as more service delivery oriented when it came to thinking about building organisational capacity. For the adopters service delivery was one aspect of an organisation's capacity, entrepreneurial strategies and approaches had become another. Integrating both tended to become integral to the adopter's cultural identity and the way it ran all its functions. What this meant was being open to resource opportunities and ideas from all quarters, including staff and clients. Staff from the adopter organisations was more likely to be exposed to the board's thinking, and linked

in with the organisation's strategic approach to mobilising resources. Some were actively involved in generating ideas and could report examples of the contributions they had made in this area.

One adopter organisation had monthly staff-board meetings where there were opportunities for staff to input into the strategic direction of the organisation, including on resource mobilisation. This was said to have impacted upon one junior staff member who initiated a highly strategic partnership with a business through a family contact. However, another staff member in an adopter organisation experienced the move to adopting an entrepreneurial strategy, (and being asked to have their say and take an active role in transforming the organisation), as unsettling. They felt their role was to purely focus on service delivery "not this other stuff".

Two program directors in one adopter organisation suggested that the best ideas the organisation had adopted, had by and large, come from sources like the parents of their clients. For them it was important that the organisation was willing to listen to others, rather than it being centred only on the professionals. The adopters and non-adopters were not that dissimilar in seeking the participation of a wide range of stakeholders in developing their services. The difference was that the focus for the non-adopters was exclusively on program delivery and not on their intention to diversify the organisation's resource base. For the adopters, the practice of openly sharing their intent to seek alternate resource options resulted in opportunities arising through unexpected places. For example, one business partnership arose from a parent of a client talking to his wife about what the organisation was trying to achieve, who talked to her best friend, who talked to her husband. He worked at a corporation that took an interest in working with the organisation.

The culture in non-adopters was geared to put time and energy into the development of the service delivery strategies. These often did not involve considering business as a potential stakeholder to work with, or enterprise as a strategy to adopt. One non-adopter manager remarked:

> I would say that I spend the majority of my time focused on service delivery issues. We have small staff numbers, and that is really important for me to make sure that we are delivery quality services and are meeting client needs. I can afford to spend *some* time focused on the funding side, though I don't have much time left over after looking after the most essential needs.

Some non-adopter interviewees thought that having an entrepreneurial philosophy could take the focus away from existing programs and disrupt service delivery priorities. They were concerned that such an approach would jeopardise the service user being the focal point of the organisation. Particularly "as you could spend a lot of time involved in entrepreneurial activities and not get anything back". As many organisations are lean in administrative resources they felt the "majority of resources should go to direct service delivery", leaving little for developing new resource practices.

The adopters showed they had some capacity to integrate core organisational activities, to bring out synergies and enhance entrepreneurial opportunities - though this wasn't necessarily easily arrived at. In some instances, social enterprise and business partnership were attractive to the adopters because they held opportunities to expand the organisation's service delivery dimensions, rather than for the finance or other resources these opportunities yielded. This highlights a point emphasised by Letts et al (1999) that organisational capacity building and program delivery do not have to be seen as competitors in a zero struggle for limited resources.

A pattern that distinguished the adopters from the non-adopters was the strategy taken in marketing the organisation to create a public profile. One staff member from an adopter organisation commented:

> I think there was a major push within the organisation to change how we appeared on the outside, so that we would be more attractive and in a better position to attract new opportunities.

Promoting an identity can be difficult when an organisation's mission is broad, including a diverse array of services. Both adopter and non-adopters recommended there being parameters within which to work when promoting an organisation. These were recommended as being aligned with the philosophies and values of the organisation and sensitive to how clients are promoted.

One non-adopter organisation that had been operating in an area for over thirty years, suggested that it had an incredibly low profile in its region, and identified that as a problem in them being able to develop partnerships with the business sector. Whilst the ability to promote and market an organisation appears essential in the development of business-focused resource practices, organisations struggled with taking resources away from their service delivery functions to manage that. Volunteers could certainly be used for that purpose, but it requires people with quite high-level business type skills that are often beyond the scope of many volunteers.

Occasionally, paid consultants were used to develop strategies to build capacity in an organisation, but the research found they were never specifically engaged to develop a social enterprise or business partnership. Interviewees from both the adopters and non-adopters reported they couldn't afford to pay someone to spend time developing ideas to bring more resources in to the organisation.

Consultants were more often used in relation to operational functions such as developing policies and guidelines, information technology systems, conducting evaluations, developing organisational culture or offering ideas for modelling a more efficient structure for an organisation. In relation to these tasks, the adopters required the use of formal consultants much less than the non-adopters, as the adopters tended to import expertise through their networks, or use internal staff or board members who offered high-level skills. More is said about the enhanced capacity resulting from adoption in the consequent chapter.

The non-adopters were open to getting assistance to develop entrepreneurial strategies, for example, from their local business council. One non-adopters organisation had put forward an application to a state-based business council, which was funded through the Australian Prime Ministers Community Business Partnership initiative, as it was advertising to links nonprofits up with business. The organisation spent a fair bit of time putting together the application requesting a partnership that would help promote its organisation - the chairperson from the board thought that was an important first step in getting people interested in partnering with them long-term. Nine months later they still hadn't received a response on their application.

Having a strategic orientation to managing the organisation's environment, which pays attention to diversifying resource mobilisation, is an important component of building an organisation's capacity for successfully developing a social enterprise or business partnership. In addition, having access to the right skills and expertise to be able to implement entrepreneurial strategies was found critical to enhancing an organisation's capacity. This next section looks at the capital people bring to creating an innovative edge for resource mobilisation.

7.4 Human Capital

Though it was important for an organisation to be structured and positioned in such away to facilitate the successful implementation of a social enterprise or business partnership, human capital was found critical in facilitating business-focused resource practices. Human resource skills are important for resource mobilisation, within an organisation's structure and through its strategy. By human capital we mean the 'advantage' or 'wealth' able to be generated from within an organisation's human resource arrangements. In this context, it specifically relates to the advantage available in developing a social enterprise or business partnership. The adopters had managed to acquire or develop their human resources to support social enterprise and business partnership development. The non-adopters had more to say about the lack of capacity staff had for resource mobilisation, and the difficulties of having "inexperienced and unqualified staff to try and work in those specialised areas".

There were implications for those governing nonprofit organisations, when orchestrating the human resource arrangements associated with spanning into business-focused resource practices. It was found to be highly demanding of the leadership within the adopters, to encompass activities such as a social enterprise or business partnership that spans multiple contexts. Often there needed to be an operations manager role that was separate to the entrepreneur. Some positions were designed which specified business type skills and/or corporate sector experience, to assist with the necessary tasks. In these smaller organisations this role may only have constituted a part-time position. The important thing was that there was dedicated space for the inclusion of skills that enhance business-focused resource mobilisation capacity.

The non-adopters often reported that they would need funding from government to have a designated position if they were going to be able to develop a social enterprise or business partnership. Some non-adopter interviewees reported their organisation had a lack of understanding about investment and return on investment and therefore lacked the vision to invest in a designated role. Some organisations had staff who tried to diversify their resource base albeit unsuccessfully. One organisation that did invest in a position to diversify their resources, ended up with a person with skills in theory, but poor confidence for the task in practice.

A number of the adopters had employed people with business experience, who found that corporate life and only working for money didn't offer them satisfaction. It did seem that there was a pool of potential employees who had business experience, in addition to having values alignment with the social services. While the income and conditions in nonprofit social services were not comparable to the corporate sector, it was reported, "that people will take a salary cut for a chance to work with their heart and soul that they wouldn't be able to get otherwise".

A woman with a previous corporate background had sought more meaningful work with one of the adopters, and they put her on a couple of days a week working on developing corporate relations. She also sought out government grants as well. The success she was able to achieve in mobilising resources was far greater in contrast to one non-adopter, who created a full-time fundraising position and filled it with a person with a disability service background, who concentrated mainly on applying for government grants. Adopter managers talked about how obvious it was when someone comes in to the organisation and doesn't see things in an entrepreneurial way or hasn't got that background, or isn't prepared to apply the same degree of effort to trial new approaches.

The important presence of 'business thinking and skills' in nonprofit organisations is further explored in Chapter 9.

A theme that emerged in the coding process was how to balance time spent to mobilise resources relative to the service demands of the organisation. There was the expectation in the adopters, that the organisation's manager would spend a relatively significant proportion of time working with corporate relations or assisting in business development. One adopter manager reported they spent, "only about thirty per cent of my time working with corporate stuff because the management of everything else has to happen". Compared to the non-adopters this allocation was generous. For example, one non-adopter manager reported spending about five per cent of time thinking about funding and the other ninety-five per cent managing the service. Another non-adopter manager remarked they were unable to find the space to focus on resource mobilisation within existing resources:

> Because existing workers are already stretched to full capacity and unable to take on another role, and it's a lot of work and their core business would get less time or get lost.

Allocation of time was ultimately a management decision. How the decision was made to best allocate staff hours seemed influenced by people's level of interest and confidence in relation to business-focused approaches. Management from non-adopters were more likely to emphasise that:

> To spend time without achieving real results would be wasted and better used doing other things such as writing a government submission where there is the higher probability of getting something out of it.

It was a reported challenge by both the adopters and non-adopters to attract, remunerate, and retain quality staff, particularly as the conditions and salaries able to be offered are well below the business and government sectors. Both the adopters and non-adopters had explored looking at creative ways that they could offer remuneration, such as through developing enterprise agreements and perhaps offering longer annual leave. It was more noticeable that the adopters had tried to push salaries to above award conditions, because they thought, "it's stupid to let good staff go because they wanted more money or not attract the best possible because of a few dollars". Some board members interviewed with business backgrounds had strong ideas about remunerating people. Comparatively, they thought it unfair how low people in the nonprofit social services were paid for what they did.

One board member, with a business background, argued that a person working in an entrepreneurial organisation should expect more, particularly if they are encouraged to think about the value of their skills and having to price them and possibly market them to bring in revenue opportunities. Across both the adopters and non-adopters it seemed that being able to remunerate appropriately was seen as major challenge on the board's agenda. One adopter remarked:

> We've been able to grow to an extent where we've been able to pay at least our senior employees something approaching market rates and we need to spread that down the organisation.

Providing recognition can be difficult considering the resource constraints in nonprofit organisations. One board member from an adopter organisation emphasised this:

> Every year we put enormous burdens on our staff to get better results than we got last year. Now that's been going on for the length of time that I've

been here and they have surprised me and produced a better result. Recognition is there and I think that helps them as well to meet the challenges they are facing daily and with the constraints we have to put on them both as a board that is responsible ultimately for the results and financial performance. The board recognises and provides acknowledgement down the line. When these people go above and beyond that, it is essentially driven by the culture of the people, their professionalism. Unless we acknowledge that, it is going to slowly wither. It's a two way street, we try to provide them some remunerative benefit even if the purse strings are so tight that all we can do is have an annual dinner for them to enjoy themselves.

In some instances the core competencies of the staff were leveraged for commercial gain though often staff competency had to be developed first so an organisation could take on new strategies such as starting up an enterprise. One of the adopter organisations used volunteers initially to try and make things happen but the volunteers found it quite difficult, as they didn't have fundraising, corporate relations experience behind them.

One adopter organisation had set up a specialised, highly technical consultancy service as "a worthwhile revenue-raising avenue for the centre" but found it incredibly difficult to obtain staff with the right skills, because there wasn't any formalised training process for these skills. They had to invest significant resources in the learning and development of their staff to be able to provide commercial services. For this reason, their enterprise had its teething problems as pointed out by one of the board members:

> Our staff are occupational therapists; we're not trained with a business sense and a commercial sense. It's been quite a quantum leap in terms of charging for services and knowing about running a business and that's certainly been a big step for us. We've come from a professional approach working with people with disabilities and knowing their needs well, rather than business.

Historically the nonprofit sector has been able to offer very poor formal learning and development opportunities to workers. One non-adopter organisation reported they have $100 per year in learning and development resources per staff member. If they are having a particularly tight year these resources are not available. There is often no capacity for study leave either.

Investing in staff was reported by adopters as increasing the chance of retaining staff, and important in enhancing an organisation's capacity to move beyond consolidation of existing practices, into creating new initiatives. Maintaining stability in an organisation's staff and leaders was seen as one way to fortify against the fragility found in smaller nonprofit organisations. There were examples of adopter staff developing a sense of their worth through engaging in commercial activities and then branching out and offering consultancy services of their own. Therefore, succession planning was another important element noted in the adopters to manage their human capital capacity.

In addition to developing staff, the adopters seemed to be far more focused on succession planning, particularly of the person in the organisation that held the entrepreneurial skills. One board member made the following comment in relation to this:

> We need to ensure there is continuity of the entrepreneur, which is Joseph. If he decided, well I've had enough now or if the board were to say we're pissed off, I think what would happen is that our organisation would move fairly quickly into a semi conventional nonprofit. It wouldn't necessarily fail. But I think its constant research and development would fall away fairly quickly unless another entrepreneur were to come in. We have another local organisation which is highly entrepreneurial and their board of management looks like they have managed the succession between

> Annie, who was there for ten years and built their social enterprise business, and Mandy who has been here for a year or so and the business is still building [names have been changed].

Some non-adopters reported that if an organisation focused on having staff with capacity to develop business practices that this would be in conflict with the social mission. The interview coding revealed the adopters tended to emphasise the goal of integrating money and mission by, as pointed out by one adopter executive officer, "we want to employ entrepreneurial people who are really committed to providing services to disadvantaged members of our community". Another adopter executive officer reported:

> Being very choosey to engage staff that could support an entrepreneurial way of working for the sake of our mission. It's a very upbeat place and people need to enjoy the thrill of working outside the square.

Most of the adopters talked how when they transformed their organisation to be more entrepreneurial, they started having human resource issues emerge. One manager commented, "We transformed from a fairly small community-based charitable organisation to a pretty substantial small business and that sort of brought to the surface some staff issues". For a number of organisations there was a cultural tension that had to be negotiated. It led to some employees resigning and the recruitment of new people that could operate and contribute to an entrepreneurial culture. More is said on this in Chapter 13 on consequences.

In summary, what seemed important to having an innovative capacity for resource mobilisation was: getting the right mix of people for the range of organisational tasks required; being able to develop and retain people whilst planning for their succession; and developing an organisation culture where

people at all levels where encouraged to be entrepreneurial. Finally, aligned with Osborne and Flynn's (1997) thinking, is that it is important not to think that innovative capacity is solely attributable to heroic individuals, though key individuals with the rights skill, energy and passion are very stimulating of innovation. Whilst human capital builds capacity for business partnership and social enterprise adoption, it often requires financial capital to take things further, which we shall now explore.

7.5 Financial Capital

This element refers to the opportunities for innovation that come from having unencumbered funds, or access to in-kind resources that can be used creatively to mobilise further resources. Lack of accessibility to capital that could be used for business-focused resource mobilisation appeared to reduce capacity for adoption. As pointed out by one non-adopter organisation:

> In community organisations we have no reserves; this particular organisation has no reserves. We've been running deficit budgets in order to just keep doing what we're doing. If you look around it's pretty run down around here: typical of a community organisation.

The adopters had also struggled with not having substantial surplus in their budgets, and often ran a deficit during their greater dependency on government grants. However it was their access to infrastructure, or money for investment that facilitated the adopters making a transition away from such high dependency on government. For example, the main reason one adopter organisation was able to develop a social enterprise was because they freely had been given ownership of some buildings. Another adopter organisation, through the strategising of the businesspeople on the board, was able to borrow money for investment and developing an enterprise.

The adopters talked about the importance of having access to venture capital, as it was difficult for organisations to make the transition, "from playing within a community framework and then launching into the real world of business" without it. Particularly as many organisations, both adopter and non-adopter, had histories where they had been unable to accumulate slack resources and had experienced sustained fragility in terms of their financial viability.

All informants were very negative about the limited support government provided, in terms of access to money or infrastructure that could be used for developing a social enterprise. Whilst the rhetoric was for organisations to seek greater levels of self-sufficiency through social entrepreneurship, there was very little in the way of tangible support that could lead to the development of diversified resource streams. Where government had provided this type of support it had resulted in positive outcomes. For instance, one territory government had provided an adopter with a large property that had a number of buildings and helped cover the costs of conversion so they could be used for a social enterprise. Another social enterprise had funds injected from a state government that very opportunistically allowed them to purchase a vehicle and equipment. Such assistance proved essential for kick-starting social enterprises.

Partnerships with businesses were often most valuable in terms of the access they provided to infrastructure and money that could be used freely, including for investment. The example of an organisation being given a rent-free building was discussed in the strategy section earlier. Another adopter organisation found their corporate partners invaluable in their support, as indicated in this quote from their executive officer:

> One thing that amazed me was that at a recent board meeting, we were talking about needing a new larger bus. Under the old model this would

> normally never be considered, if we put a proposal to government, we had been trying for five years. I mean everyone knows there is no money for new capital. A senior manager from our corporate partner, who now sits on the board, used his contacts and within weeks we had a new bus.

In summary, there is the old adage that you need money to make money and this research supports this, though it suggests a number of other capacity elements are required to take a social service organisation forward. So while the adopters may not have been sitting on 'slush funds' they seemed able to reorganise themselves, following 'a near death' experience, to move the organisation to greater sustainability. They did this by leveraging opportunities that arose through having access to infrastructure and/or money for investment. This led them to increase their financial footing. Both government and business have a role to play in facilitating a nonprofit organisation's access to these vital elements that support resource diversification.

7.6 Conclusion

Strong capacity across all four organisational elements was challenging to achieve for smaller organisations, though not beyond possibility. Current government contracting arrangements put pressure upon a nonprofit's capacity for trialling new resource approaches. The results indicate that despite organisations experiencing the limitations of the government funding arrangements, (as outlined in Chapter 6), strengthening of key organisational elements can result in developing capacity for the successful adoption of a social enterprise or business partnership. With assistance from members of the community, government and business, it appears that smaller nonprofit organisations can develop the capacity to implement new resource approaches through having: the right structure; a clear strategy in place; access to

infrastructure and money for investment; and the right people to take it forward. As highlighted by one adopter executive officer:

> So you can really work hard at diversifying your resources because you've got to have the systems and practices in place to demonstrate what the organisation is capable of, but also as something to base your future service design on.

Most of the non-adopters tended to be in a consolidation phase where the emphasis was on delivering services within the paradigm they are accustomed to. Some were 'dipping their toe' in the water of business-focused practices but did not have the organisational elements to support them confidently diving in. Others were ideologically opposed to the movement, though they did not appear to have the readiness or capacity to move toward such approaches even if their ideology were different. Upon reflection, it seemed that an organisation's capacity across the elements discussed in this chapter might be influenced by an organisation's developmental stage. More will be said on this in discussing the results in Chapter 14.

Governance has been inferred throughout this chapter as important by virtue of discussing the capacity elements such as organisational structure, strategy and human and financial capital. Governance was identified as vitally important in positioning an organisation to diversify its resources base, through the adoption of a social enterprise and business partnership. The results pertaining to this are reported in the next chapter.

CHAPTER 8 GOVERNANCE

8.1 Overview

When interviewees were asked their views on major influences enabling the adoption of a social enterprise or business partnership, they often quickly summoned this kind of response, "Governance is very, very important and I think maintenance of leadership". The results from the research suggest that the likelihood of an organisation developing a social enterprise or business partnership is influenced by the governance mechanisms in the organisation.

The first part of the thesis presented literature that highlights the importance of organisational governance in responding to resource mobilisation needs in nonprofits (see section 3.8). It presented Lyons' (2001) definition of nonprofit governance, as demarcated by an organisation's high order responsibilities such as the provision of strategic direction, monitoring and accountability for the organisation's performance. This is distinguished from management and the day-to-day activities required in delivering strategy.

Tsui, Cheung and Gellis (2002) suggest nonprofit governance encompasses: legal responsibilities, policy-making, resource development, community legitimisation and continuous leadership. Whilst the responsibility for nonprofit governance falls predominately upon the board (also referred to within small Australian organisations as a management committee) it involves a partnership with the executive officer.

Analysis revealed key aspects of nonprofit governance were found to be influential in facilitating business-focused resource mobilisation. Firstly, the type of governance model the nonprofit organisation used was important in

determining not only the likelihood of adopting a social enterprise and/or business partnership, but also in influencing the effectiveness of the adoption process. The nature of an organisation's board membership, and the quality of the board-management relationship, were also highly influential in shaping both the likelihood and effectiveness of adoption. The adopter's governance arrangements facilitated the integration of practices and thinking from the business world – a condition discussed in the next chapter – into the decision-making processes within the organisation. This chapter discusses these results in more detail. These are arranged in three sections: governance model, board membership and board-management leadership.

8.2 Governance Model

The most pertinent finding in relation to governance was that the type of governance model differed significantly between the adopters and the non-adopters. Four out of the seven adopters had a well developed corporate governance model, and had made the transition from a management committee to a board of directors. The transition involved taking a higher level strategic focus rather than an overly operational focus. A board utilising a corporate governance model prioritises setting strategic direction in relation to resource mobilisation. This involves scanning the environment and using the influence and skills of the people governing to create more diverse resource opportunities.

Another two of the adopters showed signs of moving toward a corporate governance model. The other adopter maintained a community-based management committee governance structure, but had employed a business-focused executive officer who was introducing corporate style governance practices into the organisation. Shifting the line of sight of the governing body

to a more strategic level in the adopters meant that forecasting, forward planning and building organisational sustainability became increasingly important topics for those governing: this led to a wider view of mobilising resources and the consideration of social enterprise and/or business partnerships. Having a propensity for planning was identified by Stone (1991) as more likely to lead to having well understood missions, clear decision-making processes and higher level policy development.

As mentioned above, three adopters did not have a fully developed corporate governance board model. However they did have board membership that included people from the corporate sector, and/or an executive officer that was working to integrate strategic management practices into the governance of the organisation. Having people with strategic management skills within the governance team meant organisations were more likely to focus on their resource development responsibilities. They were also more likely to have the skills required to effectively tackle the establishment of a social enterprise or business partnership.

In contrast, none of the non-adopters were utilising a corporate governance model and instead had a community management committee model. Specifically, what this meant was that the non-adopter committees were less focused on futuristic planning and more on the 'here and now', such as the management details of the organisation and service delivery mechanisms. For example, non-adopter interviewees reported committee members were regularly involved in helping staff develop strategies to work with their clients. The board members' interest in assuring accountability was more toward the constituents of the organisation, through a focus on service delivery; committee membership was chosen on the basis of this orientation. Clearly an integration

of both is beneficial for nonprofit organisations, and more is discussed on the tensions with achieving this blend in Chapter 13 on consequences.

Transiting toward a corporate governance model involved a significant change process for nonprofits. The shift in focus was from the board as 'worker and manager' to focusing on board as 'strategist'. One executive officer from an adopter organisation who witnessed this change emphasised it as a process of letting go:

> Knowing the board membership at that time they would have felt they were taking a big risk, because they were comfortable being able to control all the small details. I understand the board acted more as a management function in those days but now we have tried very hard to redirect the thinking of the board to take a step away from management. Not everyone was happy letting go of the control.

Adopting corporate governance is not as simple as adding one component to the organisation. In the adopter organisations the transition involved a number of changes such as board composition, structure and activity. This transition is a major undertaking for smaller organisations with a history of relatively unskilled, though highly idealistic and committed volunteers running the organisation. The transition within the adopters studied stretched to a minimum of twelve to eighteen months, and required developing a clear understanding of what the board's role was relative to the executive. It also involved a lengthy process of consolidating new practices. What follows is another quote from an adopter manager reflecting upon such change:

> Whereas I think probably four years ago the board was made up, very much of concerned community members, we now have people that probably have less of a knowledge about community sector but perhaps more about a knowledge of the way in which boards in general should work and how to manage the world around them. So that's been a shift and I think that we are to a point where the

> staff would feel comfortable with the board going out to lobby on their behalf; where I think probably four years ago that wouldn't have been the case.

The quote above highlights how introducing a corporate type board increases the ability to represent an organisation's external interests and gain legitimacy. Letts et al (1999) propose that a critical role for those governing an organisation is to 'manage upstream' and buffer an organisation from unproductive demands, whilst encouraging interactions that are value creating for the mission and the organisation's capacity.

A distinguishing feature of the corporate governance model was that the decision-making pace appeared to occur faster, which seemed an important mechanism when working to adopt a social enterprise or business partnership. This was facilitated by the empowerment of the organisation's manager to sign off on certain issues without it having to go to the board, and the board arriving at strategic decisions that concerned them more quickly. This appeared to be influenced by the presence of business board members, who were used to faster paced decision-making. Many of the board members with business backgrounds interviewed made comments such as this one, from an adopter board member:

> My background is corporate and you'd love to think that you could set a predetermined strategy and go with it, and this is one of the challenges of being in a social organisation. It is very, very different being in a community organisation. With a corporate you could largely drive where you wanted to go, if the economics of the situation worked. Governing in this situation you have to consider so much more and it's slower!

Austin (2000) found potential tensions can arise when including business board members into a nonprofit, as they tend to get frustrated with slower consensus

driven decision-making. This research identified the synergy that can occur in blending a diversity of approaches and how effective governance is made up of multiple perspectives and competencies. Austin suggests businesspeople bring particular areas of competency; other social science professionals and community members bring others. The main thing seems to be to have strategies in place to orchestrate these synergies and not to assume that the 'shoe fits' when introducing businesspeople on the board of a nonprofit (McFarlan 1999). Some of the competencies need to be tempered with socially focused goals.

More formal governance practices were identified, as helping boards to be able to make decisions faster. For example, some adopters sent out board meeting papers beforehand with the expectation that board members had to come prepared to add value and make decisions during meetings. One adopter manager highlights the types of changes that had occurred in introducing a more corporate approach:

> We went down to the point of changing the way board meetings are held, and introduced a parliamentary process in board meetings by better managing time. The aim was to make sure the process is done quickly, so you stop looking backwards and spend a substantial amount of time at the board meeting looking forward. Unless the board is prepared to look forward without the looking backwards it won't work. Everything has got to come together. The board papers are out among members at least a week before and they must have read them. They can always ring one of the subcommittees or anyone on the board if they don't understand something. But it's really not now encouraged at each board meeting to ask questions about something that were in the board papers or raised at the finance committee held in the week before. The board is not the place to raise issues unless it is something that quite validly requires to be raised. So you can't say

> why did we spend $300 more in stationery last month, it's not appropriate at the board. They can ask the question but not at the board meeting.

The corporate governance model included structuring subcommittees to focus on particular issues of interest. The adopters with a corporate governance model had assembled subcommittees specifically focused on developing alternative resource streams. Subcommittees facilitated issues to be explored in greater detail, gathering together the people best skilled for the job. One adopter organisation had a subcommittee team focused on corporate relations; it met every three months and looked at developing and maintaining business partnerships. A person from a business with whom the nonprofit had a current partnership with sat on the committee. He was reportedly able to:

> Give a good insight to what they [corporates] are looking for from the relationship, so what sort of things we need to put in place to form new relationships in the future. Working with corporates is a different thing to working with other community agencies. So there are certain ways that we have to do business really.

Some adopter board members reported having baulked at the introduction of a corporate model, but once it was actually introduced the board preferred to work on strategic issues such as, "where we were going to be in a few years and how do we make this a more effective organisation; than dealing with the mundane things like do we buy another computer now, do we lease it or leave it to next year". Overall people reported increased enjoyment of board meetings as they moved away from just going through minutes and dealing with purely administrative matters, toward focusing on where the organisation wants to go and how it can get there.

Many of the non-adopters interviewed foresaw risks in adopting a corporate governance model. A faster pace of decision-making could result in changing the focus of an organisation, without the considered consensus making processes that - though tending to be longer - provided checkpoints to ensure activities were aligned with the organisation's core values and mission. Also, the type of corporate processes introduced could exclude the involvement of less professional people, such as the constituents of the organisation – or those closely associated with them - who can offer valuable insights and fulfil an important citizenship role in contributing to the governance of the organisation. The membership of the board and the skills they bring was found to be influential in building the capacity for resource mobilisation and is discussed next.

8.3 Board Membership

As mentioned above, not all the adopters had a fully developed corporate governance model, but they still developed a social enterprise or business partnership. However all adopters had board members with business skills, experience and networks, in addition to having members that could contribute skills and experience relevant to the organisation's core work and social mission. Board members with entrepreneurial skills can be powerful role models and inspire the organisation to think outside the square, tackle creative challenges and open up new possibilities. As commented by one business board member "I work on the belief that there is no such word as can't, and that we've got to try all sorts of ways to succeed". Such board members can engender a sense of entrepreneurialism in staff to find new ways to mobilise resources.

Mostly the adopters appeared cognisant of how to position themselves to attract board members with specialist skills. For example, they were more active in identifying and recruiting specific skills onto the board, spelling out board responsibilities and expectations, and planning for the succession of those skills. Furry (2004) suggests board succession planning is important, "to ensuring that an organisation remains focused and relevant and has the capacity to succeed".

Consciously designing their board membership appeared to give the adopters an innovative edge. The right mix on a board can raise the profile of an organisation and bring additional resources, skills and community connections. Recruiting the right people can import a wealth of expertise and legitimacy into an organisation for resource mobilisation. Abzug and Galaskiewicz (2001) identified the trend toward boards being "crucibles of expertise", made up of educated people from managerial or professional backgrounds that become a basis for an organisation's legitimacy claims. Having these right skills seemed vital to both the adoption of a social enterprise and business partnership.

There was some evidence that some of the adopters had become too dominated with business and professional people relative to those with knowledge relevant to the organisation's mission or history. The quote below from a businessperson on an adopter organisation highlights this:

> We have certainly become a more successful organisation resource wise, since having people on the board that know how business and money works and have good contacts. However we have are at a stage where we realise we have gone too far that direction, and in our next recruitment we need to bring back in people who have skills in working with marginalised people.

Achieving diversity in the skill set of the board was a challenge for many organisations, particularly in rural areas. Maintaining a balance between a business focus and social focus was seen as critical, but not necessarily easy to achieve. It was identified that entrepreneurs can sometimes be great at seizing opportunities but not always seeing the social consequences or operational complexity associated with that opportunity. To be successful in tackling innovative approaches, it seems an organisation needs to have a governing body that is open to newness but thinks ideas through logically and ethically. One adopter business board member reported:

> It's good to have businesspeople like myself on the board to bring an entrepreneurial vision, however the people governing are there to prevent an organisation being 'willy nilly' about getting involved in business or developing a business. It's no good spending two dollars if we only get one back. It's just unsustainable. It's also no good if it brings into question the social reputation of the organisation.

Steane and Christine (2000) highlight the importance of board members' values and commitment. Interviewees from both the adopter and non-adopters reported the need to avoid recruiting board members with a lack of relevant knowledge, negative attitudes and small-minded thinking. Some adopters had sought out people with business skills but had learned they didn't have the required commitment or passion, and could do more harm than good. For instance, problems could arise if members held stereotypical attitudes about client groups due to their limited social science backgrounds. An example was given of a businessperson who had strong notions of the 'deserving' and 'undeserving' poor, whereas the organisation's mission was not to make this distinction. With the influx of people with business skills onto the board, adopters reported that the trick was screening people at the recruitment stage. The quote from an adopter manager below highlights this:

> We used to scramble around to get whoever was willing to come onto the board, particularly in the early days when we needed to get people with business skills. But people were showing up and not taking much interest in the vision of the organisation or how they could contribute to take things forward. We have now become very fussy, even despite difficulties in finding skilled people to give up their time. We have a small budget set aside to recruit people and we will even wine and dine them first to get to know them well, their views on things and test out their commitment.

Poorly defined roles can lead to unproductive governance behaviour, which reportedly arose when new members did not receive adequate induction. As part of the corporate governance model, adopters were moving toward more formal orientation processes for new members. How people entrusted with governance responsibilities get along together, was deemed essential in building innovative capacity for resource mobilisation into an organisation. Building a team spirit among members was also important to mitigate poor performance. One adopter board member reported:

> For a board to be able to be innovative in acquiring new resources it needs to have healthy one-to-one relationships and group dynamics; this is more likely to result in creative rather than destructive outcomes.

It was found that the adopters more actively managed their board membership by setting some parameters on the length of time people could sit on a board. Interviewees saw disadvantages to building an innovative culture if people were on the board too long. As reported by a board president from an adopter organisation:

> The secret for us seems to be balancing some stability, with opportunities for new membership to keep the board pushing its edge. Whilst it was vital to keep a connection to long serving dedicated board members - including those that

pioneered the organisation - we found alternative ways to link them in through honorary committees and the like.

The non-adopters tended to report their smaller organisational size as limiting their attractiveness to businesspeople, and reducing their capacity to adopt a corporate governance model. DiMaggio and Powell (1983) found larger organisations are more likely to exhibit greater willingness to adopt organisational arrangements found in the commercial sector. This is because they are cultured more like business, due to their complexity and formalisation, and are more likely to attract board members with business, legal and financial skills required by the corporate governance model. However Austin (1998b) reports business leaders can be attracted to being involved in smaller organisations, because of the greater sense of being able to affect change, make a difference and not get caught up in the bureaucracy of the organisation. There are some quotes below that highlight this point.

Success in mobilising resources appeared more likely when those governing were fuelled by a strong desire to make a difference. Some board members talked about the board wanting to "unashamedly change the world"; that it was the mission that attracted them to the organisation in the first place, that "It's not what we can get, it's what we can give". Below is a quote from an adopter board member with a business background involved with an organisation that helps people with disabilities:

> I mean our vision is that one day there'll be a world, no matter what level of ability you have, you'll be able to move freely, you'll be able to live to your potential, that you can go out into the community, you can have a job, you can socialise, you can do day-to-day things because the environment is there and you have the right tools.

For the non-adopters, making a difference also involved giving citizens, including those that are marginalised and disempowered, a right at the board table to provide direction on a mission they intimately understand. A non-adopter interviewee reported a major risk was that:

> By shifting away from constituents serving on the board or grass roots committee members with strong links to our constituents would result in those governing not really understanding the people the organisation exists to serve.

One option to avoid the business agenda hijacking the social one was to import business expertise by engaging businesspeople's voluntary contributions via short-term consultancies rather than ongoing board membership. The responsibility for maintaining the integrity and effectiveness of the governance function in mobilising resources and making a difference was clearly a dual responsibility, involving both the board and executive officer. We shall now discuss this dual leadership challenge.

8.4 Board-Executive Leadership

Effective governance in non-profits requires a strong relationship between the board, or committee of management, and the executive officer (and sometimes staff). Tsui et al (2002) identified how board-executive relations must be interdependent if they wish to achieve effective management of a human service organisation. It can be hard to govern effectively, when the two functions of leadership and management operate independently, rather than interdependently. Executive officers are the board's source of information, which allows it to make sound decisions based on organisational realities. One interviewee from a non-adopter had made the transition from being a board member to the position of the organisation's executive officer. He reflected how he had come to realise how little detailed knowledge the management

committee previously had about the organisation, as this was not being filtered through from the executive officer:

> Management committees might think they have a grasp of what's going on but really no you don't. It's a different world when you get in here. So although I was on the committee for sometime I've never been involved with running an organisation before. It concerns me greatly, having known what it's like to be on the management committee and how little they really know about what's going on; and they're making judgments based on that lack of information or misinformation, it's pretty scary. This wasn't helped by fact that the previous manager didn't brief the committee properly.

All the adopter organisations had been able to achieve a productive level of interdependence, between the board and executive officer, in tackling innovative resource opportunities. There was some diversity across the adopters as to whether the board or executive officer was the driving force behind the adoption of the social enterprise or business partnership. What was most important was that there was responsiveness from each to engage in dialogue and action regarding the adoption process.

Adopter interviewees reported that there were regular ideological debates between the board and executive officer about engaging in business-focused practices. It was seen as an important part of the adoption process to challenge the driver of the initiative, and ensure the practice was aligned with the organisation's best interests. This was reported as sometimes a frustrating experience by the driver of the adoption, but ultimately led to a more effective well-considered process.

There can be tension between the board and executive for a range of reasons, such as executive dominance or board over-involvement; even partnership that

equalises power can have its problems. Tsui et al (2002) suggest both the board and executive need a strong sense of ownership through participation, communication and power sharing. Access and ability to influence resource acquisition has long been identified as a source of board power (Zald 1969). An effective governance model that shares the power in a way that supports resource mobilisation is one that incurs a strong sense of collective responsibility. An element of this was discussed in Chapter 7 on organisational capacity, where a lot of emphasis is placed on everyone in the organisation contributing to resource mobilisation. As one adopter board member put it:

> So we relied very much on everyone from the board right through to staff to come up with ideas. A lot of emphasis is placed on everyone in the organisation contributing. The planning goes from the bottom, to the top, and back down again.

It is required of executive officers, particularly in small and medium sized organisations, that they manage both the strategic direction as well as operational detail. They have to attend to the social as well as financial accountabilities. A manager from an adopter organisation highlights the complexity of that role:

> It sounds more defined when I say it, though in undertaking the role I wouldn't say it's defined at all. It is a bit all over the place, but then I think most people in community services are all over the place especially on the management level. Once you're in a managerial role you have to be able to juggle lots of responsibilities. Making sure clients are satisfied, serviced and safe, plus attend to the strategic direction of programs and the organisation. Nearly everyday a program will experience a major disaster, or you have to avert a major disaster. It's kind of crisis management and I suppose sometimes you have to make the decision; do I engage in crisis management today with what is happening or do I make a strategic management decision? Certainly we have responsibilities as managers to ensure we undertake risk management practices or that the

> organisation is not put at risk or jeopardised in anyway. Quite often the day-to-day staff issues take over. So you get drawn into all sorts of things. It's always important to have some contact and working knowledge of your client group because it's not *just* about strategic direction. It's very important for me to know some of the people that we provide services to, it's a very grounding thing. It's also a good way to partake in strategic development and think not so much in terms of the service that you are providing, but always to bring it back to the people you are providing the service for. That's a really good way for me to keep my head around it.

The adopters tended to have put a lot of time into evolving the governance of the organisation and shaping the board and manager's dual role. The expectation of the importance of consolidating and developing a solid financial basis for the organisation appeared strongly within these roles. This included a strategic focus on raising the profile of the organisation amongst the corporate sector as well as politically. Inter-organisational relations were considered important to developing business partnerships and social enterprises, and both the board and management needed to work together to manage these.

All organisations had reportedly been through a period of time where it was fairly touch and go getting their governance right. It seemed the adopters were more likely to have reached a point where the organisation was able to move forward to a renewal or entrepreneurial stage of development (Bailey & Grochau 1993), because of a well developed dual governance arrangement. The adopter board members interviewed tended to talk about openness, trust and lightness in the way people interacted together. One person said, "We have fun even though we take our role seriously" and another "everyone gets on, there is no collusion between people, we make a point of keeping everything open and transparent with each other". This suggested that there are strong ties between the board members. Drawing on Middleton's (1989) research, it is perhaps the

strong ties between board members and also with the executive that kept alive the social values in the adopter organisations, despite their focus on being business-like and instrumental in attending to the bottom line.

8.5 Conclusion

Board members' role in nonprofit governance was considered just over a decade ago a much neglected subject (Lyons 1991; McDonald 1993) and a topic where normative expectations were not matching realities (Middleton 1987); where malfunctions were as common as effective functioning (Drucker, 1990). This research has identified the importance of strong governance in explaining why some organisations are able to tap into their potential for mobilising resources through business-focused practices.

A corporate governance model with diverse board membership that encompasses business and socially focused members, which articulates well with the executive officer role, strengthens a nonprofit organisation's ability to successfully adopt a social enterprise and business partnership. Corporate governance on its own will not rescue nonprofit organisations from financial crisis or improve their competitive position in the market (Alexander, Comfort & Weiner 1998). However the particular governance features outlined in this chapter, in conjunction with the other conditions being explored in this thesis, do distinguish organisations that are adopting business-focused resource strategies from those that are not.

A strong connection to vision and mission, as both a driver and checkpoint when appraising potential for resources for the organisation, is important to inoculate against possible risks that could arise in moving away from constituency based committees to more professionalised boards. People

reported how the governing body's strategic focus on mission can fluctuate over the years. There were times when they questioned whether a business-focused approach was the right way to go. It was the process of reflection and review, and linking back to the core things in their mission, which was reportedly important in emerging from this question. Further discussion on the integration of business thinking and skills into a social service organisation is discussed in the next chapter.

CHAPTER 9 BUSINESS THINKING & SKILLS

9.1 Overview

Access to higher order business thinking and skills emerged in the coding of the interviews as a precondition important to the adoption of social enterprise and business partnership. This capacity also increased as a consequence of adoption, though more is said on this aspect in Chapter 13. The business thinking and skills condition specifically refers to a range of skills beyond the basic financial management competency all organisations need to maintain themselves, such as bookkeeping and basic accounting. All nonprofit organisations managing government contracts in the current purchaser-provider environment required a capacity for managing business processes and finances delivered through government contracts.

However the coding revealed the presence of more developed levels of calculated risk-taking, business planning, business thinking in issues of sustainability and self-sufficiency, marketing expertise and entrepreneurial approaches as distinguishing those organisations developing an enterprise or working in partnership with business from the non-adopters. Interviewees talked about the importance of having access to higher order business skills in setting up their social enterprise. Others spoke about being able to engage in a business partnership, because they had people who could talk with businesspeople in their language and were able to put forward a business case and market the benefits of partnering with a nonprofit.

The presence of business skills and thinking within an organisation occurred in two ways: one was in the membership of the board; the other was within the

qualities of the executive officer. Having board members or an executive officer with a business background appeared to offer opportunities to harness business techniques to achieve the resource goals an organisation had set for itself. The adopters reported people with business experience were useful in contributing skills in strategic planning, organisational development, marketing and enhancing the profile of the organisation. Austin (1998b) identified a similar finding in exploring businesspeople's involvement in non-profits. The next section looks in more detail at the essential building blocks of a business approach that the results identify are required, in order for organisations to adopt business-focused resource practices.

9.2 Building Blocks of a Business Approach

Adopter interviewees reported that the integration of business skills into the organisation resulted in an orientation where seeking business opportunities to advance the social mission became part of the organisation's ethos. Business thinking and skills were mainly located in the board and/or the executive officer. As discussed in the previous chapter, non-adopters tended toward having board people who bring community resources and some acknowledged they don't always have the required skills to manage business type resource mobilisation.

A tangible instance of business thinking was in how the 'user pays' principle was being utilised by organisations. Many of the adopters had integrated this practice in the development of new markets where feasible and ethical. Some of the adopters had advanced quite quickly in their business approach, being at the point "where we're going to offer our programs almost like a franchise operation in order to raise new funds". This type of thinking was worlds apart from the circumstances of the non-adopters. Most of the non-adopters were

philosophically opposed to the inclusion of user-pays in non-profit organisations, except in some circumstances, such as for participants contributing to non essential activities that they value. However the adopters mainly positioned the commercialisation of their services to new constituency groups, in order to maintain free services to their socially based constituency.

The entrepreneurial thinking in adopters assisted in identifying markets that they could tap into to supplement their primary programs through social enterprise development. This was also evident in some of the non-adopters who were selling their expertise within the social service sector through consultancy; but the activity was more on an ad hoc basis, and not positioned as strategically within a resource diversification framework as it was in the adopters. Calculated risk-taking was particularly evident in those adopter organisations running an enterprise. People with business skills reportedly were best able to assess risk, and guide decision-making, in developing business opportunities.

Business skills were just as important for developing relationships with business, as establishing an enterprise. A number of the non-adopter organisations had endeavoured to build linkages with the business sector, only to send people with no business skills in to do the liaising. They reported frustration and failure. Notably the adopters that were successful in this area were able to leverage key business skills in the formation and maintenance of their partnerships. This competency was also important in how to present a case to business and engage their interest.

Access to business expertise appeared critical for organisations making the transition toward adopting a social enterprise. All adopters that had successfully developed a social enterprise found having access to business

thinking and skills was essential to the process. Access tended to be either through the recruitment of board members, or staff with those skills, or bringing in people temporarily to assist from outside the organisation.

Maintaining continuity of entrepreneurial thinking was also important to keep the flow of business thinking and the sustainable development of ideas. However sometimes it was important to distinguish between when the skills of an entrepreneur were needed versus those of a manager. Business management skills were found in the adopters as necessary for ongoing enterprise sustainability. The entrepreneurs in the adopter organisations suggested that even though having the business skills in place was important to establishing an enterprise, "it's a bit of that leap of faith stuff. Taking a risk is part and parcel of making these sorts of things happen". People with business skills are used to taking calculated risks and are more comfortable with making such leaps.

Interviewees reported the seriousness of establishing an enterprise and the importance to be strategic in one's approach. One board member reported:

> It's no good coming up with a creative idea. You need a business plan to make it work otherwise you can see the organisation go backwards by distracting people from their service delivery functions with very little outcome. This has to be avoided and strategic business skills are what are required.

Though some business-focused tasks were done commendably using in-house expertise, adopter organisations also temporarily imported this expertise or accessed it through their networks. The networks, which businesspeople brought to the organisation assisted in building partnerships, but also the knowledge assisted in increasing the organisation's social visibility (Kettner & Martin 1996) within the business sector. For example, one adopter accessed

marketing skills through a fellowship of business leaders who share their skills with the community.

Partnerships with businesses were sometimes orientated toward accessing business expertise as their main focus. For example, one adopter executive officer joined with a businessperson and together they explored how they could develop a viable business that had at its core an educative process that supports children, young people and their families. The following quote is from another executive officer in relation to establishing their social enterprise and highlights the importance of accessing business thinking and skills:

> We didn't have those skills and that was the area that we had a number of external people trying to support. Just things like entrepreneurial corporate planning processes, our other strategic planning processes are really different. So this thing called a business plan was new. We had to find somebody and hope to God they knew what they were doing and in the end they were good. Some of it was also trying to link in with the state government's enterprise and regional business development support process and all that sort of gear. But getting the help was a big thing.

Another organisation did bring business thinking into the organisation by seeking the intervention of a high profile corporate management consultancy firm to conduct a management review; this resulted in a report the board felt was not practical or appropriately aligned with the organisation. One recent board member joining the organisation from the corporate sector commented that this could be seen as a culture mismatch between business and nonprofits. He commented:

> Having come from that industry I can understand that what they produced would be very much dependent upon the kind of briefing they were given and the knowledge they were able to tap into and the opportunity to speak to people that would get the results and permit them to come to an appropriate conclusion.

The lesson arising from such a situation was that in importing business expertise, an organisation has to be very clear in what they are wanting and make sure the process is appropriately researched and guided to ensure the developed ideas are aligned with the organisational context.

Developing a social enterprise requires access to financial, legal, accountancy and marketing skills. However the results indicate that in drawing on these skills for enterprise development, it is just as important to have the people sensitive to applying these within a socially focused enterprise. The instruments and decision-making processes essential in for-profit businesses need to be tempered when integrated into a social enterprise.

A report prepared for the Triodos Bank (BRASS 2004), investigated the ways in which the right technical business support can turn real social needs into viable social enterprises. It reported the importance of mentoring and training of people such as in human resources, law, IT, financial management, business development and audit work. It also identified that the people who start a social enterprise are sometimes not the most appropriate to move the enterprise forward. This supports the point raised early about the need for management skills to dovetail entrepreneurship skills.

Whilst some of the non-adopters were clearly not interested in integrating business thinking in order to advance their social mission, others spoke about being clueless about how to apply business thinking, even though they wanted to. One non-adopter board member mentioned she had approached a business chamber of commerce to seek their support and became acutely aware of her lack of business literacy to even engage with businesspeople in a meaningful way, let alone establish a business. Her training was in social work and felt in

her negotiations that she was on planet Venus and businesspeople were on Mars. She is quoted as saying:

> I went cap in hand to the local businesses appealing to them to set up a partnership with my youth access program. It doesn't get adequate recurrent funding from government. So I go to the business chambers and make a representation to them using a social work argument and they look at me like I'm a complete idiot.

Those with business type understanding reported the limitation of a purely social services approach was that people would present the nonprofit's aims and goals and look for the business to fit within them, as highlighted in the quote above. Having people with strategic business thinking present a social case meant it was more likely to be heard, as they could present a well laid out case that defined a win-win for the business and the nonprofit.

Some of the non-adopters that had tried to mobilise resources through business-focused approaches, had been unsuccessful because they didn't have the right skills in the organisation to tackle this. One non-adopter manager suggested that a staff member responsible to forge new opportunities had been:

> Fairly incompetent at making it happen and I think his working style has contributed to that. When I say incompetent, it's more about he has such a passion for the content of his project and the work he does, that it is very difficult for him to step out of that and think about the economical viability, which is what he has to do.

One non-adopter executive officer, who had strong community development skills but lacked business type skills, was conscious that her board was thinking that in their succession plan her role would be filled in the future with someone with business skills. Although the non-adopter manager was a bit wary of this

pending direction, she believed the staff would still maintain a focus based on community need and was resigned to the fact that they "seriously needed to go another path in order to survive". One adopter executive officer with a Masters of Business Administration (MBA) commented on her board's orientation toward seeking out business skills:

> Well it started with the interview for the job, which was four and a half years ago, where the panel specifically questioned me about my attitude and response to the idea that the government wasn't going to be the source, or the fountain of all funds into the future, and what my feelings were on that and skills I could bring.

Staff in both the adopters and non-adopters reported they would like to develop business-thinking skills, but commented that their organisation did not have the capacity to support learning and development in this area, for example, in undertaking an MBA. Some adopters experienced teething problems setting up a social enterprise with staff not trained with a business and commercial sense. One social service professional from an adopter is quoted as saying:

> It's been quite a quantum leap in terms of charging for services and knowing about running a business and that's certainly been a big step for us. We've come from a professional approach working with people with disabilities and knowing their needs well, rather than business strategies.

Other non-adopters were concerned that developing and integrating entrepreneurial thinking into an organisation was not possible through their existing resources. People from the non-adopters made such comments that:

> Other stuff would get lost or less time. Which is our core business. We would need to be resourced specifically to bring those skills into the organisation. There would need to be a designated position if that was going to happen. Not an existing worker that is already stretched to full capacity to take on another role, because it's a lot of work.

On the other side of the equation, people with business backgrounds found negotiating elements of the nonprofit culture difficult. One adopter board member with a business background made the comment that it was a big adjustment having to apply business thinking within a more holistic context:

> You'd love to think that you could set a predetermined strategy and go with it; my background is corporate. Being in a charity is very, very different. With a corporate you could largely drive where you wanted to go. There are a lot more considerations in a nonprofit before you forge ahead with an idea that makes business sense.

Others pointed out the structural barriers that limit enterprise development. One adopter manager reported it being "very hard, without taking out loans, to make the transition from playing out within a community framework and then launching into the real world of business". People with a business background assisted the adopters to access the full range of supports to develop business strategies, but found greater restrictions compared to operating in a purely business context. For example, strategies such as taking out start up loans from banks and acquiring surplus or slack resources within the organisation that could be used for investment were more difficult to pursue. Whilst the constraints of enterprise development of nonprofits are significant, Young (1987) argues the possibilities need not be more limited than in the for-profit sphere. In some instances nonprofit organisations have other advantages on their side such as tax advantages and access to start up resources through government or charity.

Introducing business thinking into an organisation required employee commitment and management of internal organisational politics, a finding also reported in the literature by Harris and Jackson (1999). Interviewees

interviewed were conscious of the change in mindset arising from integrating business thinking into their organisation. There was extreme variation in degrees of receptivity by adopter staff and some reported such issues as feeling strained by the burden of such a responsibility, ethically opposed to it, their skills and qualifications not supporting such activities and that they were looking to leave the organisation because of the intense focus on staff taking on an entrepreneurial role. The institutionalisation of business practices did seem to be able to occur, whilst at the same time some stakeholders were actively discouraging such practices. This tension is consistent with the effect reported by DiMaggio and Powell (1983) in their seminal work on institutional isomorphism. They found that certain practices could become embedded in organisations, despite those with less legitimacy questioning their role.

Although there is this complexity in merging business thinking into an organisation whose priority focus is a social mission, there is definitely an unavoidable fact that mobilising resources in order to achieve social sustainability is a business type activity that requires business skills. This need is accentuated once an organisation moves from an informal organisational type, with one hundred per cent volunteers, to offering professionalised services involving qualified staff. Some suggested that it was the most natural response to apply business thinking to how an organisation managed its money. Those who took the following approach did appear to be successful at creating diverse resource streams for the organisation:

> Whether you call yourself a non-profit business or a not-for-loss business, mobilising resources is a business and that's been a hard lesson in that you just can't continually run at losses. You actually have to perform within a budget or push and get out there and be involved with business and partnerships. You either have to sit within your budget, or extend your budget. Now having something like a social enterprise allows us to have a group of people who are

concentrating on the resource side, but also allows the people within the programs to focus on what they are doing. Rather than having program team leaders having to go out and find resources, by having a business division you allow that to happen with people best skilled and experienced for that kind of work.

9.4 Conclusion

There is a growing recognition amongst non-profit organisations, including those largely dependent on government contracts, that they need higher level business skills to transform organisational capabilities into new capacities that help sustain their organisation. Business thinking and skills can help organisations nurture new opportunities by managing what is often an inflexible and unbalanced government funding environment. The research revealed business thinking and skills to be a core competency distinguishing organisations that adopt a social enterprise or business partnership.

The adopters had achieved business thinking and skills through a variety of mechanisms such as: specifically recruiting staff and committee members with business administration skills; staff extending their education and training into the business administration field; creating partnerships where the goal is to have access to business skills; importing expertise for specific tasks; and structuring the organisation to create a defined place for entrepreneurial skills such as in setting up a research and development arm. The type of networks a nonprofit organisation has also influences their accessibility to business competency and this condition is discussed fully in the next chapter.

CHAPTER 10 NETWORKS

10.1 Overview

A network is fundamentally about the connection between entities (Siemens 2004). The results identify the resource potential that is stimulated from social networks, a finding also identified by a number of social capital theorists (Putnam 1993; Flora & Flora 1993; Wall, Ferrazzi & Schryer 1998). The current research identified the importance of business-focused networks in distinguishing why some social service nonprofits are adopting social enterprise and business partnership and others are not, confirming the relevance of network and exchange theories in the explanation of such phenomena as proposed in Chapter 3.

The results on networks reported in this chapter distinguish between the general set of practices that organisations engage in with key stakeholders within the nonprofit sector in conducting their daily work, and the boundary-spanning networks nonprofits are building with organisations and individuals in the business sector. The first section provides a context for understanding networking activity in social service nonprofits, whilst the second section focuses specifically on the results concerning the mechanisms that supported the adopters developing networks with business stakeholders.

10.2 Nonprofits and Networks

Building, engaging in, and maintaining networks are fundamental to most aspects of a nonprofit's work; such as in the governance of the organisation, management and planning of services, and direct service delivery to clients.

Drucker (1992) emphasises the importance networks play for nonprofits relative to other organisational forms, as nonprofits have such a wide range of stakeholders that impact on, and are impacted by their work. Nonprofit's wide-ranging stakeholders are engaged through a series of horizontal and vertical networks. For example, networks are important in the horizontal coordination of services provided to clients across multiple agencies. Networks with other social service nonprofits are important in applying for government funding that often requires evidence of partnership arrangements. Vertical networks are also important in nonprofit social services, such as with funding agents, auspice bodies, lobby groups and political representatives.

Broadly speaking, networks yield opportunities to enhance the capacity and reach of nonprofits. Historically for many social service organisations, their connectivity tends to be orientated upon networks with other social service organisations. This connectivity *within* an organisational field has traditionally been an essential component of working for the social good. Networks with other nonprofits, were seen by the non-adopters, as easier to create and more fruitful, than forging relationships with business. Nonetheless, nonprofit networks could be the cause of some significant tensions, particularly where there were significant differences in practice and philosophy. For the adopters, the trend was such that their networks had widened, spanning beyond the nonprofit sector to include the business sector.

Both adopter and non-adopter interviewees emphasised the strength and richness smaller nonprofit organisations generally have within their localised networks, though both reported that they could miss some of the opportunities that national charities can seize in building national networks that span the country. One adopter executive officer from a rural based organisation reported:

> I put to the board twelve months ago that I don't know if we can afford *not* to be aligned with a national church based organisation, because of the requirement of government for social service organisations to have extensive networks and the power of influence this brings. And I hate the thought of having to do that, we will never do that, but the board was doing some SWOT analysis stuff and I was asked what's the biggest threat and this came up for me. It seems to influence the social sector, and to have your innovative ideas heard, you need to be linked with one of the big charities, as they seem to be the ones that can break into the political sphere in Canberra and gain the attention of corporations. Resource wise I can't put $200-300K toward raising the profile of a particular issue like they can.

Non-adopter interviewees also reported how geographical location can limit an organisation's proximity to diverse networks. The non-adopters from regional and rural areas suggested location limited their opportunities to build relationships with business other than "the smaller businesses in the town that were struggling to survive". The adopters did not experience their location as fully limiting their resource yielding networks, though acknowledged there were some practical barriers to be overcome.

One adopter reported that some corporations are interested in working with agencies located in regional and rural areas because they provide services to those regions. Often connections do need to be struck with the metropolitan based head office, but relationships built at the local level can play a role in building and strengthening those links. Geographical location did not prevent social enterprise development as some non-adopters predicted. For example one adopter located in a rural area had established a very successful social enterprise that sold its products nationally. In fact, their rural based location meant the business had lower overheads, such as in rent.

Both the adopters and non-adopters reported the reduced capacity of smaller organisations, as limiting substantial resources being invested in networking, even those important to core service delivery outputs. The adopters, however, more commonly reported that the investment put toward building networks, including with business stakeholders, was productive and yielded resources that improved the position of the organisation. The non-adopters reported being burdened with the increasing expectation that networks with business should be developed. They reported examples where business networks were required for some social programs, to be successful in securing funds from government. Building networks with business was reported as challenging to the non-adopters who struggled with the know-how and finding opportunities for connection. The non-adopters commented that building linkages was challenging as nonprofits and business generally operate in mutually exclusive domains.

The results showed that bridges can be built between nonprofits and business, and such networks are an important condition influencing the adoption of a social enterprise or business partnership. The different ways that the organisations studied, perceived and approached networking with business, are discussed in the next section.

10.3 Networking with Business

Expanding nonprofit networks beyond the social service interagency framework, into the business sphere, was found to expand opportunities to acquire resources. In relationship to business partnerships, it was often networks that helped a relationship grow from a simple financial exchange, to having a diverse array of resources being exchanged through an integrative partnership. Examples of the types of exchanges fostered through networks

included the establishment of a mentor program for homeless youth utilising corporate executives; the purchasing of equipment to kick-start an enterprise; the outfitting of organisational premises; and the provision of consultancy services to assist an organisation's development. Networks with businesspeople were found to influence, or at least support, the development of social enterprises. Social enterprise development was positively impacted through an adopter's business networks through the generation of ideas, and access to essential expertise and entrepreneurial opportunities.

Adopters were clearly distinguished as organisations with business networks and though they had different ways they went about building such networks, they all reported these were important to the adoption of a business partnership and social enterprise. For some adopters they had developed a plan on how to diversify the organisation's networks in order to open up resource mobilisation opportunities. For others, their cross sector networks had developed more spontaneously with investment of time given to follow natural leads; however luck seemed to fall where the ground work had been prepared.

The types of network approaches the adopters used varied. They included seeking people to connect with the nonprofit organisation that have good networks, and who can bring legitimacy through those networks. This could involve bringing businesspeople on to the board, involving them in a support council or having them as patrons. Other approaches included: accessing the networks available from existing board members; directly cold canvassing for networks by attending chamber of commerce or business council meetings; and building the profile of the organisation so that it attracts the attention of resource-rich agencies or individuals. The adopters reported a snowball effect; that once you have good mechanisms in place to build strong networks they tend to grow and be used more.

The non-adopters displayed a number of barriers to building networks with business. A primary consideration was that many of the non-adopters strongly opposed the values and ideology of business, and were sceptical that business could be anything other than greedy in its emphasis on profit maximisation. Four of the non-adopters displayed this attitude toward business and clearly were not interested to network with them. The other three non-adopters were open to building networks with business but were unskilled, unconfident and went about it in ways that led to ineffective outcomes. For the interested non-adopters, the organisational arrangements were not conducive to creating the capacity for building networks with business. For example, the structuring of organisational tasks, governance model and organisational culture did not support boundary-spanning activities.

As reported in the previous chapter on business thinking and skills, it appears that a certain level of business knowledge and skill is required to successfully build networks with the business sector. Attitudes towards business also clearly influences whether business networks are developed. Business for some non-adopter interviewees was viewed as inherently bad with representatives holding untrustworthy motives; therefore the incentive to build networks was not present. For some non-adopters these fears were built through direct experience with business entities that they had attempted to build relationships with. Some could not continue developing a business partnership due to the impure motivation and limited ethics displayed on the part of the business.

Some of the adopters reported modifying their view of businesspeople - that had been based upon stereotypes - with an informed perception developed through their actual network interactions. Some people came to see the human side of the businesspeople, and how their interaction with the non-profit

resulted in them being personally touched, in a way their profit maximising work did not provide. The tangible benefits the non-profits accrued from business networks also helped alter people's perceptions that networks with businesspeople did not have to be a win-loss scenario and that win-win outcomes were possible.

Longstanding organisational members within the adopters were particularly impressed when witnessing the new growth and diversification of resources yielded from business-focused networks. Networks with businesspeople enable adoption of business-focused resource opportunities, but the effect is also cumulative with further opportunities developing through the involvement of businesspeople in the organisation. One longstanding board member had seen the adopter organisation transit from a grass roots group made up of concerned parents to presently including corporate leaders on the board.

Involvement of businesspeople in the governance of the organisation provides a strong linkage point from which networks can develop. Strong linkages, either peripheral or central, with agents from the business sector, seem to increase the likelihood of an organisation successfully adopting business-focused resource practices, as these networks assist in providing access to requisite skills and opportunities. Perhaps an important operating mechanism is trust (Gulati 1995). Trust can be built through a businessperson's involvement on the board or as a consequence of interacting in a sponsorship arrangement. Networks and personal contacts build greater certainty and trust, and it is because of these conditions that people would be more likely to engage in economic transactions (Granovetter 1985). Businesses are more likely to support a nonprofit that they have some connection with than those they do not.

The normative expectation is that it is the board's role to raise the profile of the organisation, and build strategic networks that hopefully harvest resources to advance the mission. A diverse board that represents different segments of society, including businesspeople, appears to leverage useful network points. It might only be that they serve as introducers for the organisation, linking in peers, colleagues or associates, but that creates an opportunity to start networking and building relationships and for a snowball effect to gain momentum. However in many instances it was the executive officer that put the tentacles out into the business community.

As highlighted in the governance chapter, adopter boards predominantly used a corporate governance model that tended toward the development of networks with the business sector, and inclusion of members of these networks in the governance of the organisation. Five out of seven of the adopters had high profile businesspeople involved in providing direction for the organisation that preceded the adoption of their social enterprise or business partnership. This effect continued following adoption, particularly of a business partnership, where commonly an organisation's networks with businesspeople increased and the pool of businesspeople that were supporting the organisation as volunteers expanded.

Formalising the adopter's networks with businesspeople required flexible approaches, for example, one organisation linked in people through an advisory committee arrangement that provided support to the board. One adopter board member commenting on this arrangement noted:

> They don't have to go through the rigours of every month sitting and doing the financial reporting. Their job is to meet once or twice a year, hold a big function linking in their networks or pledge their corporations to fundraising events.

> They can enjoy serving the organisation, but don't have to shoulder the responsibilities or tackle the more boring tasks.

For those organisations that have been successful in creating opportunities for mobilising resources through business networks, the linkage point was not always from those governing the organisation, that is the board or management. Staff proved to be just as valuable in creating linkages to opportunities. In fact it appears networks can be built spontaneously from unexpected places. One staff member from an adopter organisation was talking about her work with her father, who suggested that she get her organisation's executive officer or marketing person to go and see his friend which led "to a very productive, non-threatening business relationship".

Another business partnership came from a friend of a board member, who is the wife of a company director. She had spoken with her husband about what her friend's organisation was doing, and that seeded an interest, as his company was looking at their corporate social responsibility agenda and were open to finding an organisation to support. The executive officer from the adopter organisation commented, "I mean we have been extremely lucky in that they are a business with a platform of being a family friendly employer, so they were looking for an organisation helping families". Creating a culture where everyone is encouraged to keep an eye out for resource opportunities resulted in people seizing these spontaneous moments. Many adopter organisations spawned this type of culture by the board or executive officer; communicating across the organisation its goal to seek network opportunities in order to diversify resource mobilisation into the business sector.

There appeared to be an inexorable link between marketing the profile of an organisation and building business-focused networks. A few of the non-

adopters that were interested in developing a business partnership and/or social enterprise suggested that they would need to better promote the organisation in order that they would have a better chance of attracting the attention of business actors and their networks. As one non-adopter board member reported:

> We've existed for twenty plus years, but we're not in people's faces, and though that's a good thing its also a negative because it means if we're to build business relationships, then we would really need to go out and be in their face and keep knocking on their door. But whereas, if we were high profile, and had high profile people promoting us, it would be like "we know you". So it really comes down to the networking and having the right networks that we don't.

One non-adopter organisation was interested in improving its profile to better enable business-focused resource opportunities, so moved its office from the suburbs to the city for this reason. They had the following reflection to make:

> It's interesting, we have only been in the city a short time and my intention or motivation for encouraging us to move into the city was to be accessible to the politicians or the corporate sector. And that has worked out fairly well. We have now had two Ministers come for morning tea; we haven't had that in the twenty-one years in our existence. We also have started liaising with a bank about some sponsorship.

In many instances, the expansion of business networks was further extended as a consequence of having a social enterprise or business partnership. This is aligned with Nohria's (1992) premise, underlying network theory that "actions can shape networks and a circular relationship occurs where the networks also constrain actions". The organisations that were involved in strategic partnerships with business, often found people from the partnered business wanted to be on the organisation's board. This increased their networks in high

profile places, which further attracted other businesspeople wanting to have a role on the board.

Another impact that some adopter interviewees identified was the value of business networks, in forming a conduit between marginalised people and the economic sector. These links can serve to facilitate better outcomes for marginalised constituents serviced through a social mission. One adopter organisation saw themselves as the middleman with business on one side and disadvantaged young people on the other and through their networks they could mobilise positive outcomes for young people. They talked about the biases young people get when they are from a particular location. Through the organisation's business networks they could use their conduit role to open up pathways, such as to employment:

> That wouldn't normally be available to a young person from a tough disadvantaged area, though by having a foot into an employer's door there can be a light at the end of the tunnel.

10.4 Conclusion

The resource dependent positioning of nonprofit organisations, at the intersection between business and government, makes them particularly reliant on the power of networks and exchanges in conducting their work and drawing upon resources. In conclusion, the research lends support for the proposition presented in Chapter 3 that business-focused resource mobilisation is influenced by the extent of a nonprofit's business networks. Business networks have the power to support the transfer of learning about how to mobilise resources in new and creative ways. Similar to having businesspeople on the board, business networks provide an opportunity to observe business-orientated people engaged in entrepreneurial tasks. Such access can affect one's

judgment about the behaviour required to complete such tasks and increase the confidence to undertake business-orientated activities (Pearlmutter 1998). Refraining from building networks with business appeared related not just to ethical considerations but people's judgment about their capability to cross boundaries into the business sector. This highlights the issue of self-efficacy, which is explored in the next chapter.

CHAPTER 11 SELF EFFICACY

11.1 Overview

A nonprofit organisation might have staff with the skills necessary to develop a social enterprise or business partnership, but there is a difference between possessing knowledge and/or skills and the perception that one can *use* the knowledge or skills effectively in a particular situation (Bandura 1986). The notion of self-efficacy emerged strongly in the coding of the results. The adopter interviewees reported positive perceptions about their chances of succeeding in mobilising resources, when they first began developing their social enterprise or business partnership.

In contrast, those non-adopters that were interested in developing such practices expressed much lower levels of confidence in being able to succeed. Focusing on why they were likely to fail in such an endeavour, it appeared that some of their ideas weren't clearly related to any tangible barrier. Self-efficacy emerged as a key condition in the interviews, as it seemed that despite adopter and non-adopter organisations having similar competency levels, the non-adopters lacked the confidence that they could harness that competency for business-focused resource mobilisation.

There is a growing literature on the effect of self-efficacy on organisational behaviour, with some authors referring to a similar concept, agency. Those focusing on agency in their research tend to hone in on the element of 'making a difference' emphasising the importance of having intention, relevant knowledge and self-command (Harre 1983; Leonard, 2005). Self-efficacy as a construct comprises attributes, belief systems, self-regulatory capabilities,

structures and functions through which personal influence is exercised. As suggested by Bandura (2001), to be an agent with high self-efficacy is to intentionally make things happen by one's actions:

> Through agentic action, people devise ways of adapting flexibly to remarkably diverse environments. Moreover, they use their ingenuity to insulate themselves from selection pressures. They create devices that compensate immensely for the sensory and physical limitations, circumvent environmental constraints, redesign and construct environments to their liking, create styles of behavior that enable them to realise desired outcomes and pass on the effective ones to others by social modelling and other experiential means (p.272).

Self-efficacy is not static or generalised across context and culture. This is important in relation to this topic of why some organisations successfully adopt a social enterprise or business partnership and others do not. It was evident that both adopter and non-adopter interviewees in the organisations studied, had high self-efficacy in responding to the situational demands related to their organisation's mission, particularly working with social needs nested within the fabric of the community. However, when it came to considering entrepreneurial forms of resource mobilisation, the leaders of the non-adopter organisations and their staff, generally did not perceive they had the capabilities to develop social enterprises and business partnerships. The next section discusses the data pertaining to this finding.

11.2 Self-efficacy in Business-focused Resource Mobilisation

The coding process revealed much lower levels of self-efficacy in the non-adopters in relation to seeking business-focused resource opportunities, even when there were similarities in the actual skills available. For example, some of the non-adopter executive officers had similar backgrounds to their

counterparts in the adopter organisations, but had markedly different levels of self-efficacy to attempt business-focused approaches. The capabilities and priorities of the non-adopters clearly lay in other domains. As one non-adopter manager commented:

> I discussed with the board that the sort of skills they employed me for means I don't have that sort of marketing focus and bullshit that you perhaps have to put into business approaches. That's not what my skills are about. I think my strengths are about resourcing staff, looking at quality improvements, listening to the community, listening to what their needs and aspirations are.

One non-adopter executive officer put out a vote to their staff about whether the organisation should seek additional resources from the private sector. The vote was twenty-eight to two against. The reported reason in this case, was less about ideology and more that people were making judgments about their lack of ability in relation to business practices. The non-adopter interviewees tended to expect they could gain very little, even before they had attempted to explore alternate resource mobilisation possibilities. Thus many people seemed to be making prior judgments as expressed in these quotes:

> Business is not going to be able to provide me with the sort of money that I want to get for a full-time worker who's skilled in the provision of services for people with psychiatric disabilities. There is no way that is going to happen.

> It's more competitive for the limited amounts of government funding and so people are beginning to look around at alternatives, but in my experience this isn't going to be an easy pathway, we don't have the skills or capacity and that's what's stopping us.

> One of our Indigenous workers does the hard slog constantly to get resources for his programs. But he tends to ask very small asks. He goes really cap in hand and only gets piecemeal support. That's all that's available.

> In the interagency meetings, we blah, blah along all the time about needing to do partnerships with business and people say I work in a small NGO, I don't have the training to do that; I work at the coalface. How the hell am I supposed to find time out of a very poorly resourced program to actually step aside, do the presentation, the documentation and then develop the skills to see if I can go and get business to come in to partnership with me? And so people fail to create partnerships with business.
>
> Our issue would be unpopular with the business world so we wouldn't get far. I think our main thing is they [business] might want to assist our target group but how the target group can assist them back- there's no middle ground, so we are behind the eight ball from the start.

Alternately, the adopters had a greater sense of limitlessness and were making judgments that they had what it takes to innovate and charter unexplored territory. For example, one adopter executive officer made this insightful comment about how their perceptions can expand or contract the organisation:

> An interesting thing for me was that once I felt that surge of interest and commitment to try entrepreneurial approaches, suddenly all the bars to thinking dropped and suddenly I felt that this organisation was so much more capable of doing far more. So I think attitude is a huge thing and now that I've been here four and a half years I'm also trying to think about how much is my personal skill level and attitude going to hold this organisation back? Am I going to be able to grow with it? Am I going to still be able to lead it or is it going to be time for…I've taken this organisation to this point, is it time for them to get someone else to take it to another point?

The adopters also seemed to be able to reinforce their resource mobilisation actions with positive experience, a condition that helps expand one's sense of

belief in what's possible. One staff member when asked, "Has there been any negative consequences of establishing a social enterprise?" commented:

> No, just that it's been a positive and exciting experience. Whilst it's been a stretch for me personally coming from a health profession background, I have learned so much. While I guess our enterprise is commercial and fee for service, I think most people have the understanding that what we do goes back into funding the organisation and so it's not purely a commercial focus. It's driven by a social goal and that's exciting as opposed to a straight commercial venture.

The adopter organisations displayed greater levels of self-efficacy and belief in the possibility of initiating a social enterprise, or building bridges with the business world to expand their resource base. The need to innovate in this way was clearly on the agenda for the adopters and there was passion, optimism, and commitment, about making it happen for the sake of their mission. The following statement is an example of self-efficacy represented by one adopter board member with a business background:

> If an organisation *perceives* they have the skills and the resources to market themselves appropriately they could succeed at building partnerships with business.

People suggested that the 'mindset' of the organisation, in terms of the efficacy to tackle innovative approaches, is strongly influenced by the leadership in the organisation. This encompasses the executive officer and the board. The adopter organisations all tended to have somewhere within the leadership a strong sense of self-efficacy about the innovation they were forging. Making comments such as, "You know, of course we can do this now. The world is there for us to work in, we don't have to confine ourselves to just this tiny bin of government resources anymore". Managers that were trialling new approaches reported "if we are strong in our beliefs that we can do something really

innovative, the staff are more likely to believe it can be done". Role models can champion entrepreneurship, but usually when it impacts on another's perceptions of feasibility. Thus leaders had an important role in influencing staff judgments about what is possible.

Nonprofit managers tend to be chosen for their ability to achieve mission, and balance income and costs in delivering social services, which is a very different skill to turning a profit and being entrepreneurial. The growing demands in the nonprofit sector put pressure on organisations to secure for more resources. As pointed out by James (1986), "as long as the marginal utility exceeds zero there is always a 'need' for more [resources]" (p.189). There was, however, a reported interest by many of the non-adopters to have enhanced capability in acquiring business-focused resources. This was also coupled with a caution arising from the inherent tensions they could foresee with managing their time and putting such skills in to action, as well as the danger of adopting business type values.

The previous chapter explored the power of networks, and the impact upon resource mobilisation of linking with external change agents with expertise in resource-generation. Involving people with strong agency in a nonprofit, in relation to business-focused practice, appeared to help build the individual and collective self-efficacy of board members and staff members to engage in resource mobilisation. Bandura's (1997) theory proposes this occurs through providing mastery experiences, opportunities to implement successful appropriate courses of action that result in success. Some of the non-adopters were trying approaches that resulted in failure. Bandura suggests that if failure occurs, before a sense of efficacy is firmly established, it can undermine self-efficacy.

Bandura (1997) proposes that self-efficacy is also built through vicarious experience. Having the opportunity to see people with business-focused skills model effective strategies for mobilising resources is therefore important. Thus, having agents transmitting the confidence that certain actions are possible, through demonstrating the way forward, develops efficacy beliefs. This in turn raises the belief in the observer that they possess the capability to master comparable activities. As highlighted above, to build individual self-efficacy people needed opportunities to model and watch others developing a social enterprise or business partnership without negative consequences. At an organisational level, they need the opportunity and capacity in the organisation to try new ways of mobilising resources. The adopters had the right conditions for this to occur.

Reflecting on the findings in light of the self-efficacy literature, it seemed that personal, proxy and collective efficacy were all important in developing a social enterprise or business partnership. Personal efficacy in this research related to people's perceptions about their individual ability to effectively use business intelligence to advance the social goals of the organisation. Collective or organisational efficacy perceptions (Strieter, Celuch & Kasouf 1999) related to an organisation's formally stated ability to effectively use this same type of business intelligence.

It appeared that adopters could have high organisational efficacy in the area of business intelligence, even though some staff had low personal efficacy in this area. However, in recruiting new staff, many of the adopters were focused on obtaining people who had high entrepreneurial efficacy. There are challenges in obtaining recruits with efficacy in the area of the social mission, in addition to business intelligence. Adopter organisations developed specialised roles in response to this. Clearly nonprofit organisations are being drawn into needing

to mobilise scarce resources in new ways. This requires restructuring and seeking opportunities for change to ensure constituents are served in the future.

11.3 Conclusion

The concept of self-efficacy developed by Bandura has been studied extensively in organisations, particularly in relation to how people make judgments about their capabilities to mobilise motivation and cognitive resources to meet situational demands (Gist & Mitchell 1992; Bandura 1997; Stajkovic & Luthans 1998; Chen, Gully & Eden 2001). Self-efficacy has been shown empirically to be a highly significant factor in explaining the attainments which organisations make through their people. The current research supports the preceding work.

In conclusion, the impact of interpretive schema on nonprofit resource innovation appears strong. This research supports the power of self-efficacy and agential action in "exploring, manipulating, and influencing" (Bandura, 2001, p.4) the resource environment. It seems that it is not just exposure to business-focused resource opportunities, but the impact of self-efficacy in defining and taking forward opportunities, that is an important causal factor in the successful development of entrepreneurial opportunities. There is much that could be done to increase the self-efficacy of people working in the social services, including government policy and programs not undermining the development of self-efficacy in nonprofit staff. It is also important, that both the social and business sectors work together to provide incentives for the development and exercise of self-efficacy in relation to diverse types of resource mobilisation.

This is the final chapter reporting on the model generated from the coding process and NVivo analysis. The model components - self-efficacy, networks, business thinking and skills, governance, organisational capacity and crisis in government support - were identified in the results as influencing whether or not an organisation adopted a social enterprise or business partnership. The testing of this model, to establish which conditions are necessary versus sufficient in influencing adoption, is conducted using Qualitative Comparison Analysis software and reported in the next chapter.

CHAPTER 12 QUALITATIVE COMPARATIVE ANALYSIS

12.1 Overview

Each component of the analytical model introduced in Chapter 5 which was generated from the NVivo analysis, was reported in the preceding six chapters. The model specified the conditions that emerged from the case study research as important in the adoption of new business-focused forms of resource mobilisation. The model presented earlier is represented as:

ADOPTER = CRISIS IN GOVERNMENT SUPPORT + ORGANISATIONAL CAPACITY + GOVERNANCE + BUSINESS THINKING & SKILLS + NETWORKS + SELF-EFFICACY.

What remains is the question of distinguishing what conditions are sufficient for nonprofit social service organisations to adopt innovative resource mobilisation strategies, and what conditions are necessary. Distinguishing between these two is part of building an understanding of the combination of conditions that influence a case (Ragin 1999). As explained in the methodology section, "A cause is sufficient if it is invariably (or almost invariably) followed by the outcome; it is necessary if it is present in all instances of the outcome" (Ragin, 1999, p.1227). Thus this chapter concentrates on providing some relative weighting on the various aspects of the model.

To recap the process of analysis, the conditions discussed in the preceding chapters were analysed using Fuzzy-Set/Qualitative Comparative Analysis 1.1. (Ragin, Drass & Davey 2003) that uses algebra to implement principles of comparison between the cases. It relies on the construction of truth tables as explained and presented in the next section.

12.2 Qualitative Comparative Analysis Truth Table

The Fuzzy-Set Qualitative Analysis software (fs/QCA 0.963) was used to analyse the above model. The first step involved constructing a truth table. Truth tables were used to distinguish between the sufficiency and necessity of conditions influencing the occurrence or absence of social enterprise or business partnership adoption. As outlined in the methodology chapter, it is usual for Boolean logic to use a conventional set of dichotomous values of 1 or 0 applied according to whether a case is either in or out. This is then analysed through what is a referred to as a crisp set. A fuzzy set however allows for membership in the interval between 0 and 1 while retaining the fully in or fully out states.

This research used a seven-value set, to give room to capture the variation in levels of manifestation of the conditions across both the adopters and non-adopters. The membership points included: fully in (1.0); mostly but not fully in (0.83); more or less in (0.67), neither in nor out (0.5); more or less out (0.33); mostly but not fully out (0.17); and fully out (0.0). Organisations that scored a 1 would indicate that this condition was fully present and a zero indicated the condition was not present at all. A score between these two points was applied if the condition was in any way partial. We shall discuss how these ratings were applied to each condition in the truth table, beginning with adoption.

To score a 1 in relation to adoption, an organisation had to have a fully developed social enterprise or business partnership; and to score a 0 there was to be no sign of adoption. Whilst the aim of the research was to select seven adopters and seven non-adopters it wasn't until engagement in the research process that the intricacies of each case came to be known. For example, in the non-adopters there was evidence of unsuccessful attempts at adopting a social

enterprise or business partnerships, early development of strategies to adopt, and varying levels of interest in adoption. These details were not revealed until engagement with the organisations being studied. In these instances the application of partial scores seemed warranted.

An example of applying a partial score was in the instance where one non-adopter had started to think about adoption and trial some strategies, even though they had not resulted in an operating social enterprise or business partnership. In this instance it wasn't appropriate to give it a 'fully out' score of 0. If they had only started to strategise about moving toward adoption they might have scored a 'mostly but not fully out' score of 0.1. However one case scored 0.33 'more of less out' because of the increased intensity of interest and effort but that hadn't manifested in adoption.

In relation to the 'crisis in government support' condition, those organisations that scored a 1 were fully focused on diversifying their resource mobilisation strategies in response to their frustrations with government funding and driven by the need to survive and search for independence. The organisations that scored a 0 may have found the nature of government funding frustrating but did not display an interest or need to adapt resource mobilising behaviour in order to survive or search for independence. The two adopters that scored 0.5, 'neither in nor out', were influenced by a search for independence in relation to the nature of government funding, but did not experience a crisis with funding to the degree the other adopters had.

In relation to 'organisation capacity', the organisations that scored a 1 strongly displayed the capacity elements discussed in Chapter 7 - namely structure, strategy, human resources and financial capital. Two adopters and one non-adopter were rated 0.83, 'mostly but not fully in', as they were strong on a

number of the capacity elements but did not quite fully achieve the same level of strength in these dimensions as the organisations that scored 1. Those that scored 0 did not display capacity in the dimensions proposed to support business-focused resource mobilisation.

The organisations that scored a 0 on 'governance' did not have a corporate governance model, or board membership that included businesspeople, or a board-management relationship that worked collaboratively on resource mobilisation. The inverse was true for those who scored a 1. Partial scores were applied based on the degree of congruence with these contrasting dimensions.

For the 'business thinking and skills' condition, the adopters scored 1 'fully in', where business thinking and skills was strongly represented in a number of ways within the organisation including: the presence of calculated risk-taking; business planning; business thinking in issues of sustainability and self-sufficiency; marketing expertise and entrepreneurial approaches. One adopter scored 0.67 'more or less in' in relation to the presence of business thinking because this condition was represented within the organisation in the executive officer, who helped establish the social enterprise but the condition wasn't present in the board or other parts of the organisation.

Ratings on the 'networks' condition scored a 0 when the organisation had no linkages at all with the business sector. A rating of 1 was applied when the organisation clearly had strong networks with business stakeholders. Variations between a 1 rating and other partial ratings depended on the degree, strength, centrality and density of the networks.

A rating of 1 was assigned for the 'self-efficacy' condition in organisations where the people interviewed had a strong perception that at the time of adoption, they were able to *use* their existing knowledge or skills effectively to develop a business partnership or social enterprise. A rating of 0 was applied where there was a perception that the individual and the organisation as a whole had no basis on which they could successfully achieve adoption of a social enterprise or business partnership. Variations between a 1 rating and other partial ratings depended on synthesising both the strength and consistency of self-efficacy perceptions across those interviewed.

Table 3 below represents the Qualitative Comparative Analysis truth table used in the analysis. The scores were applied following analysis of all the primary data gained from at least three interviewee interviews from each organisation; field observations; and secondary data from analysing document artefacts.

Case #	Adoption	Capacity	Governance	Networks	Self Efficacy	Gov crisis	Business think
13	1	1	1	1	1	1	1
3	1	1	1	1	1	1	1
5	1	1	1	1	1	0.5	1
9	1	1	1	1	1	1	1
7	1	1	0.33	0.67	1	1	0.67
1	1	0.83	0.5	1	1	0.5	0.67
11	0.5	0.83	0.5	0.67	0.5	1	0.33
6	0.33	0.5	0	0.17	0.33	0	0
14	0	0	0	0	0	0	0
8	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0
12	0	0	0	0	0	0	0
10	0.5	0.83	0	0	0.83	0	0
2	0	0	0	0	0	0	0

Table 3 - Truth Table for Fuzzy Set Analysis

12.3 Necessary and Sufficiency Cause Analysis

The assessment of necessity and sufficiency are usually considered jointly because all combinations of the two are meaningful. Tests of necessity and sufficiency can take two forms: veristic or probabilistic. A veristic evaluation of the evidence uses absolute standards in deciding what is necessary and sufficient. A veristic test has no tolerance for discordant outcomes among cases conforming to a cause or causal combination. Ragin and Giesel (2004) suggest, "In veristic tests, in order to be considered necessary or sufficient for an outcome, all the cases conforming to a particular cause or casual combination must display the outcome in question" (p.68).

Alternately probabilistic assessment sets benchmarks and linguistic qualifiers such as "more often than not" (0.5), "usually" (0.65) and "almost always" (0.8), in relation to specifying that the observed proportion of the outcome variable must exceed. In probabilistic instances, the researcher can make inferences about necessity and sufficiency where only a proportion may display the outcome.

The topic under investigation was not considered to be understood well enough to propose hypotheses which could be used to set particular benchmarks that the observed proportion of the outcome variable must exceed. There would need to have been a greater number of cases to be able to confidently assess whether the observed outcome rate, is significantly higher than a benchmark, using probabilistic criteria. As pointed out by Ragin and Giesel (2004), most small-N analyses fail all probabilistic tests of necessity and sufficiency, even when there are no inconsistent cases. They suggest that the veristic test is the only method able to be used when the number of relevant cases is small. Given

the limited number of cases in this research (N=14) necessity and sufficiency tests were performed using the veristic method.

The sufficiency analysis output is listed below. Where a variable is listed in capital letters it represents an instance of that variable and, where lower case is used, it denotes the absence or low presence of the variable.

12.3.1 *Necessary Cause Analysis Results*

The number of cases analysed was fourteen, which is one hundred per cent of all cases, so zero per cent was missing. The number of cases tested, which had an outcome value greater than zero was nine. This represents such over sixty-four (64.2%) per cent of the total number of cases. In performing a necessary cause analysis, a threshold frequency needs to be chosen by the researcher. This sets the minimum number of cases that need to be identified in order for a condition to be rated as a necessary cause. The minimum frequency specified was seven, which meant that there needed to be more than seven positive cases of this specific condition, for determining necessity. The logic behind this selection was that out of the nine cases with an outcome greater than zero, there would need to be seven that displayed the condition for it to be considered necessary to that outcome. This meant applying quite a rigorous test so that the researcher could have a higher level of confidence in the results. The veristic algorithm used was:

Cause >= Outcome for All Cases AND N >= Minimum.

Table 4 below provides a report on the independent variables (and their negations), with the number and proportion of cases where the value of the cause is greater or equal than the value of the outcome. For example, ten cases have values on the fuzzy variable of 'organisational capacity' that are greater or equal to the values on the outcome variable 'adoption'.

Variable	N Cause >= Outcome	Observed Proportion
capacity	1	0.10
CAPACITY	10	1.00*
Governance	3	0.30
GOVERNANCE	6	0.60
Networks	2	0.20
NETWORKS	7	0.70
Self-efficacy	2	0.20
SELF-EFFICACY	10	1.00*
Govcrisis	2	0.20
GOVCRISIS	6	0.60
Businessthink	3	0.30
BUSINESSTHINK	6	0.60

Table 4 - Necessary Cause Analysis Results

The results above identify two necessary causes that appear significant in influencing the adoption of social enterprise and business partnership. They are ORGANISATIONAL CAPACITY and SELF-EFFICACY. The results suggest that these two variables must be present for the adoption of business-focused resource mobilisation strategies to be adopted. These two variables are likely to occur in all such combinations of conditions that produce an outcome. The next test conducted was sufficiency analyses with the aim of examining what other variables are capable of influencing the take up of these practices, in combination with these necessary conditions.

12.3.2 *Sufficient Cause Analysis Results*

The evaluation of sufficiency is a test of whether the cases displaying the casual conditions form a subset of the cases displaying the outcome. This approach uses a containment rule where all logically possible combinations of conditions, and all possible groupings of cases, are analysed. Some combinations would be logically superfluous because they are contained within other groupings. In order for a casual combination to be sufficient for the outcome, the fuzzy membership scores have to be less than or equal to the fuzzy membership in the outcome (Ragin & Giesel 2004). Ragin (1999) proposes these comparisons follow a simple rule that mimics experimental design; they combine rows that differ on only one casual condition but produce the same outcome.

The sufficient cause analysis in this research also used a veristic method, and set a minimum frequency at seven for the same reasons that guided the necessary cause analysis. The fs/QCA 0.963 software produced the following Fuzzy-Set Solution in relation to adoption occurring:

CAPACITY*GOVERNANCE*SELF-EFFICACY +
CAPACITY*NETWORKS*SELF-EFFICACY +
CAPACITY*SELF-EFFICACY*GOVCRISIS +
CAPACITY*SELF-EFFICACY*BUSINESSTHINK

The above sufficient equation had a fit measure of: 0.996. In fuzzy algebra, the statement indicates that the value on the left-hand side holds maximum influence. Thus CAPACITY is the strongest variable in influencing the outcome. Addition (+) is a logical *or*, and indicates alternative combinations of conditions. The above equation states simply that there are four combinations

of casual conditions that result in the adoption of business-focused resource mobilisation strategies:

(1) An organisation with strong capacity, corporate governance model and social actors with strong self-efficacy in relation to business-focused approaches; or

(2) An organisation with strong capacity, good networks with business and social actors with strong self-efficacy in relation to business-focused approaches; or

(3) An organisation with strong capacity, social actors with strong self-efficacy in relation to business-focused approaches and have experienced a crisis in government funding; or

(4) An organisation with strong capacity, social actors with strong self-efficacy in relation to business-focused approaches and the presence of strong business thinking and skills in the organisation.

12.4 Conclusion

These results show the significance of organisational capacity as defined and discussed in Chapter 7, and of people's sense of self-efficacy in resource mobilisation as discussed in Chapter 11. All the other conditions discussed are sufficient to influence the successful adoption of social enterprise and business partnership, but in combination with the two necessary variables.

For example, a crisis in government support *and* business thinking and skills, was identified as sufficient in enabling business-focused practices where an organisation has strong capacity and its members' strong self-efficacy in relation to business-focused approaches. Despite the significant data generated in the research in relation to the 'crisis in government support' condition, it was

not identified as necessary in relation to the adoption of business-focused resource mobilisation strategies following the QCA analysis.

The results indicate that where governance and networks - discussed in Chapters 8 and 10 respectively - do play a role, they are in a stronger position in the sufficiency equation than self-efficacy. The presence of these two conditions, (though not displacing the need for the organisational actors to have a strong sense of self-efficacy in relation to adopting business-focused approaches), are important in creating a strong context for individual, proxy and collective efficacy to operate.

The significance and implications of these results are discussed in Part III of the thesis. The final chapter in this Part II of the thesis examines the information that was coded to an organisational consequences node. It reports the consequences of the casual conditions operating in nonprofits and the adoption of a social enterprise and/or business partnership.

CHAPTER 13 CONSEQUENCES OF ADOPTION

13.1 Overview

The main tenet of the research was to inquire into the conditions that facilitate the adoption of social enterprise and business partnership, as reported in the preceding chapters. To be responsive to the debates about the value and impact of these practices in social service nonprofit organisations, it was important to inquire into the consequences - both positive and negative - that arise through the adoption of social enterprise and business partnership. The results showed there were a number of consequences in relation to the adoption of business-focused resource mobilisation practices.

In analysing the interviews, documents and field observations, data was coded to a 'consequence' node that represented the consequence of adopting a social enterprise or business partnership. The types of consequences were varied and could be condensed down into the following areas: resource flows; organisational elements; organisation culture; innovation in service delivery; advocacy function; mission and target focus relationship with government and relationship with business.

Results pertaining to some of these issues have been discussed in the earlier chapters where they served as preconditions to adoption. This chapter emphasises changes arising *as a result* of the adoption process. Further qualification of these nodes in relation to the consequences arising from adopting a social enterprise or business partnership, are explored fully in this chapter, beginning with resource flows.

13.2 Resource Flows

Analysis of the results showed that resources, both fiscal and non-fiscal, increased as a direct consequence of successfully adopting a social enterprise or business partnership. In contrasting the matched pairs of adopters and non-adopters, the former had a higher annual operating budget in all instances. The average annual operating budget for the adopters was $1,934,429 ranging from $420,000 to $4.9million. The average annual operating budget for the non-adopters was $1,548,628 ranging from $334,000 to $4million.

On average the adopters received forty-seven per cent of their annual budget from a social enterprise and/or business partnership. The range varied substantially from fifteen per cent to seventy-one per cent of the organisation's annual budget derived from adopting these practices. Whilst social enterprises were reported to generate significant resource flows that enhanced the adopter's operating budget, they required significant establishment time before generating a surplus.

A positive consequence of adopting business partnerships was gaining non-fiscal resources. These were reportedly significant in impact, though it was hard to quantify their value. Non-fiscal resources enriched organisations in a variety of ways such as increasing their capacity for service delivery, governance and further resource mobilisation. In-kind resources and volunteer labour generated from business partnerships tended to be equal to, or more significant in value, than the fiscal resources the partnership bought; often providing direct savings to the organisation's operating budget.

There was little difference in the average percentage of resources generated from donations and fees in the adopters (17%) and the non-adopters (19%).

Looking at the range, it seemed that some non-adopters (7% to 50%) were more reliant on this means as an alternate source to their government funding than the adopters (4% to 27%). The adopters relied on government funding as a total percentage of their operating budget (36%) at lower levels than the non-adopters (57%). The percentage of the organisation's operating budget coming from government varied from fifty per cent to ninety-three per cent in the non-adopters, and twelve per cent to sixty-five per cent in the adopters. However, as the operating budgets in the adopters were on average larger, the weighted amount received from government was in many instances similar.

Adopter interviewees were very clear in suggesting that the resource flows from social enterprise or business partnerships did not displace the need for government funding. In most instances the resources complimented and enhanced funding provided from government so that the organisation could operate and deliver social services in a sustainable manner. However there were some consequential changes in an organisation's relationship with government as a result of adoption that are discussed in section 13.9 below.

In summary, adoption of a social enterprise or business partnership has positive consequences upon the operating budget of a nonprofit organisation. It introduces a new array of non-fiscal resources into an organisation and shifts resource dependencies to include more diversified options placing less reliance on government as the dominant contributor to an organisation's budget.

13.3 Organisational Elements

As identified earlier, organisational capacity is a significant condition that enables the adoption of social enterprise and business partnerships. Increased capacity is also a consequence of adoption across a range of elements, including those broader than discussed in defining the organisation capacity condition. For example, organisations that have adopted a social enterprise or business partnership are less likely to need the assistance of external consultants to bring in specialised expertise as they have access to this expertise through their broader networks. Figure 3 below depicts the adopters' need for external consultants are rated at much *lower* levels than the non-adopters. Engaging external expertise is met at a higher level than required in the adopters, compared with the non-adopters who have the opposite trend. This result relates to the input of skills the adopters are gaining through business partnerships and social enterprises.

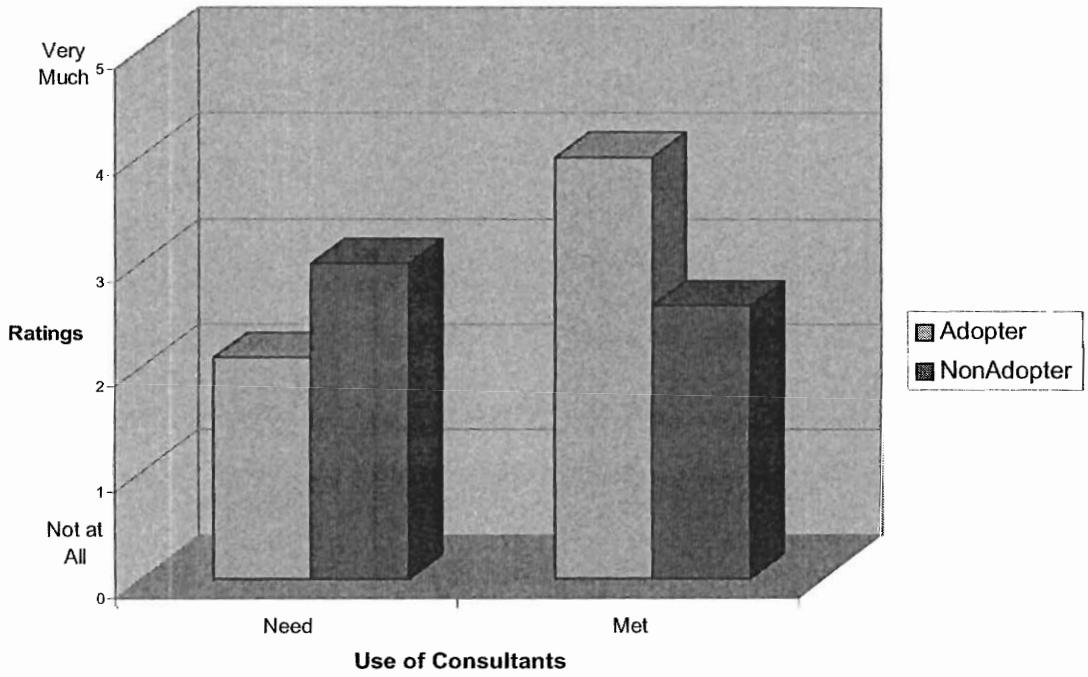


Figure 3 - Comparison on the need for external consultancy

Partnerships with business were particularly usefully for enhancing the capacity of an organisation through the importing of a range of strategic skills that were suggested as being worth significant value. One organisation's corporate partner provided free consultancy service which were worth $250,000 in the private market, another provided information technology expertise for the development of assisted technology innovations for the organisation's clients with severe disabilities. This input was valued as being worth $500,000.

On the downside, there were negative consequences reported from focusing too heavily on building an organisation's capacity for resource mobilisation. A couple of adopter staff perceived their organisation had become too internally focused on sustainability issues, losing a balance on what they were sustaining themselves for. When faced with the task of meeting the growing unmet demands, the adopters pushed toward spending more time and energy on mobilising resources which some reported "altered the organisation's character". The literature (Rose-Ackerman 1986) has raised concerns of nonprofits "spending an 'excessive' portion of their resources on fundraising" (p.333). As pointed out by James (1986), nonprofits in the face of resource scarcity are likely to operate more like profit-maximising firms.

Whilst it appears that organisations might transit through a phase of intense focus on resource mobilisation, this seems to be an evolutionary step in adopting new practices. It does appear that organisations can re-emerge with a renewed focus on serving their mission. For example, one adopter staff member from an organisation that had come through such a stage reported, "Now that we have a more secure resource base there's a wonderful buzz about this place and an eager interest to make a difference".

One of the elements of capacity that allows organisations to make a difference is access to uncommitted finance, to purchase infrastructure or make investments. The difference between the adopters and non-adopters in how well this need is met is depicted in Figure 4 below. This need is met at a higher level in the adopters as a consequence of their relationships with business and engagement in entrepreneurial practices, whereas the need is met poorly in the non-adopters. Both organisation types reported this need is not well catered for in the current government funding arrangements. A positive consequence of having access to uncommitted finance is that it facilitates an organisation to develop other resource generating opportunities.

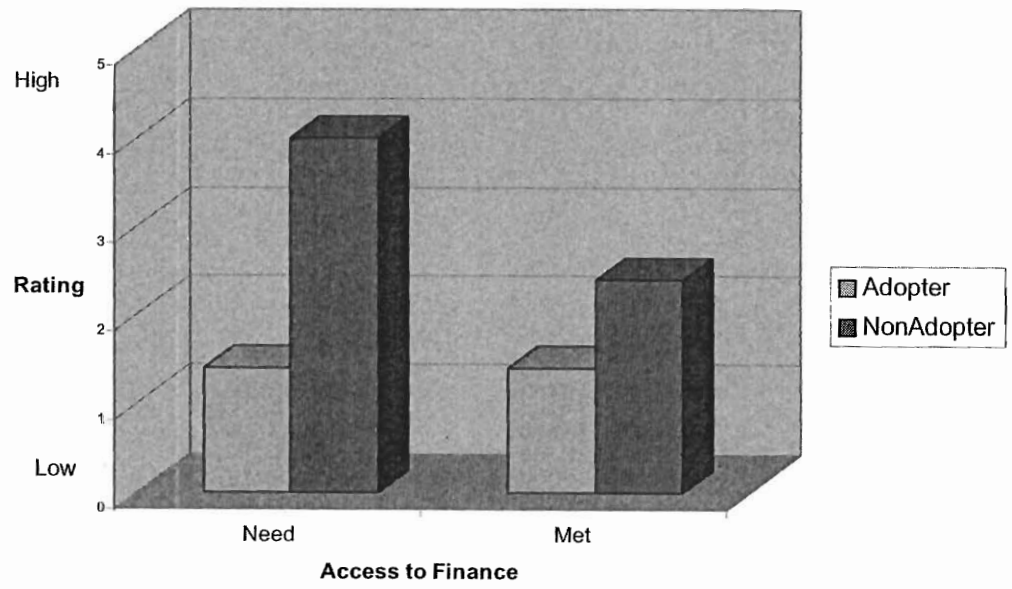


Figure 4 - Comparison on levels of access to finance

The results suggest that being successful at acquiring resources from the public and private sectors requires having a well-developed professional orientation and a marketable approach. The level of professionalism in both types of organisations had reportedly evolved substantially over time. This was due

initially to changes in government-funded programs, but was then capitalised on in the adopters through developing a social enterprise or business partnership. Some of the adopter organisations with social enterprises took a professionalised 'customer service' approach quite seriously, which as a consequence, gave the organisation a good reputation; an important ingredient in attracting further resources. As pointed out by one staff member, "I think there was a major push within the organisation to change how we appeared on the outside, so that we would be more attractive". Along a similar line, another interviewee from an adopter commented:

> There was a realisation that we needed to be more marketable, and there came a logo, an image, a realisation that perhaps we needed to look a bit better and more attractive, and we needed to have a web site and we needed to change...look as good as we really were. We needed people to know about us because prior to that we were the best-kept secret in Sydney. Parents were referred to us and would say, 'Oh, I've never heard of them and I live literally five minutes away'. Until I did some work to market us that is how it was.

In addition to having a marketable profile, an organisation needs to demonstrate it is proficient in order to attract resources. Spall and Zetlin (2004) suggest that the trend toward increasing the efficiency of the nonprofit social services encompasses little consideration of the quality of outcomes for the organisation's target populations, nor provision of opportunities for active involvement in governance. The focus on outcomes for constituents did appear strong following the adoption of a social enterprise or business partnership. However citizen based participatory governance models were replaced with more professional business-like representation in developing a corporate governance model. This could be seen as a negative consequence for those

espousing the values of inclusive governance practices that involve constituents and community based volunteers.

Many adopter interviewees reported replacing their long serving board members that had "given with such goodwill with more professional people that could handle the growth in complexity within the organisation". This included recruiting to the board and organisation, people with formally recognised skills that could handle the increased administrative and financial demands from government. In response to the move toward greater professionalism, one long standing board member of an adopter organisation commented:

> We had to [become more professional] because this was a sort of board decision. We'd reached the size where we were handling substantial amounts of community money from various sources, and we had to make sure the governance of the organisation was tight enough to make sure that the money was being handled professionally and efficiently. We decided that we needed to introduce more professionalism into the management to ensure that, and that involved getting the salaries up a bit - initially at the senior level - and that's something we have to spread through and I'm convinced that the strategy works. We have become more efficient and more effective as we've boosted the management resources.

Some people expressed concern that "a business way of doing things would replace the involvement of volunteers in the organisation". However one adopter staff member reported that:

> A consequence of having a relationship with a corporation meant that the organisation's profile was lifted and more volunteers were attracted to the organisation as it had a higher profile, was working more creatively and introduced better systems to train and develop volunteers.

Often the people in the corporation wanted to volunteer on the board or in the organisation. One executive officer engaged in a business partnership noted:

> Their CEO wanted to be on our board and then all of a sudden our networks had increased in high profile places and more people wanted to get on board and have a role.

Changing the organisation's board from grass root members with an interest in the issues the organisation serves, to more professional businesspeople, can have consequences where the organisation loses touch with its history and sense of purpose. However a corporate governance model seems to place an organisation in a much stronger position in terms of sustaining its future. Some of the adopters admitted swinging too far toward a focus on resource mobilisation at the expense of thinking through fundamental issues associated with achieving their mission. More is said on managing these tensions in the discussion chapter.

McDonald (1993) raised the issue of the potential for service functions to erode with the introduction of corporate management models and recruitment of members less acquainted with service mission. Despite McDonald's predication this might have serious implications for Australia in the future it seems the organisations studied presently were looking to balance the situation. In contrast, many of the non-adopter boards were more concerned with the details of service delivery at the expense of sustainability, and as a result may be facing serious future implications.

Moving toward higher levels of professionalism creates both opportunities for growth, but also costs an organisation due to needing to offer remuneration commensurate with people's skills. Diversification of the resource base provided greater capacity for the adopters to remunerate their staff at higher

levels than the non-adopters, which helped with maintaining good levels of professionalism. One consequence noted was a move toward prioritising the recruitment of entrepreneurial staff to match the directions of the organisation. The danger with this, as pointed out by one adopter interviewee:

> Is that you get really highly motivated, quite innovative, very professional people but they may not necessarily be organisationally focused team players.

Adopters also reported that hiring executive officers with a greater priority on business type skills could change the nature of social service organisations over time particularly toward one where managing relationships with private sector stakeholders assumes greater precedence than working with community-based stakeholders. There were examples of adopter organisations having to manage this tension.

Bush (1992) suggests a consequence of adopting business-orientated approaches in nonprofits, is a tendency to visualise organisational relationships in competitive rather than collaborative terms. This didn't appear to emerge as a major problem in this current research within those organisations that had adopted. When the adopters were probed about changes in levels of competition as a result of having an enterprise, some reported "Within the commercial interest there is a competitive element in that we have to tender for jobs, yes. But that's just like part of tendering for a government contract". Interestingly, the greatest pressure to be competitive overall was reportedly influenced through the government contracting regime.

It was evident that in adopting a social enterprise and/or business partnership, the social actors in the organisations are exposed to new and diverse learning and development opportunities. The learning dynamic is cyclical in that the learning of new skills precipitates the possibilities of adopting business-focused

practices, but also learning and development arises from being engaged in these practices. The learning and development acquired within the adopters was reported as facilitating the organisation to progress in new directions and tackle new challenges.

The research questionnaire collected data from each organisation regarding how well their needs were being met across core competency areas such as business planning expertise and financial expertise; and more specialised competencies such as marketing expertise and entrepreneurial skills. Adoption of a social enterprise or business partnership means that organisations develop higher levels of competency in some areas. These results are represented graphically below beginning with business planning expertise.

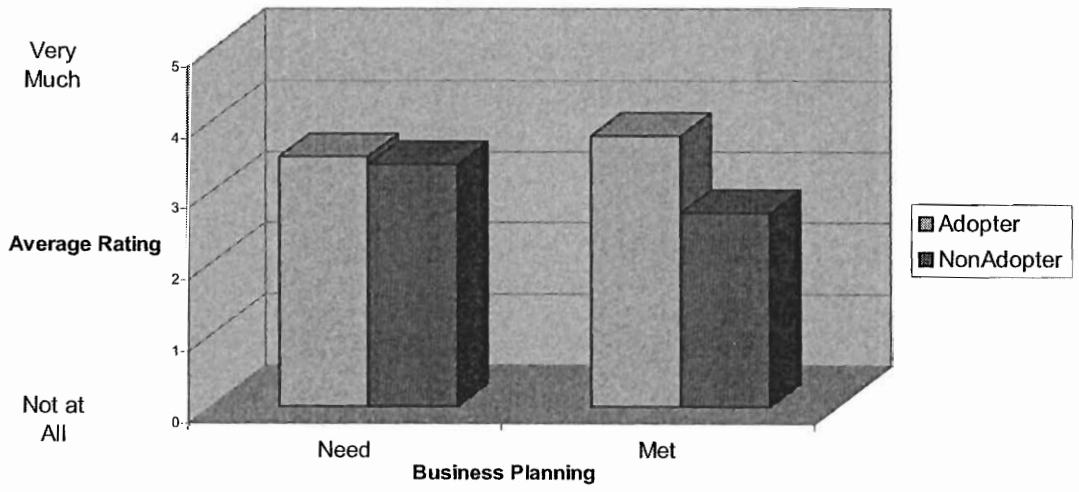


Figure 5 - Comparison of levels of business planning expertise

The questionnaire results showed that in terms of the need for business planning, both adopters and non-adopters are closely aligned. The difference appeared in relation to how well this need is met. On average, the adopters are in a stronger position in terms of being able to meet their identified need. All

organisations that had a social enterprise or business partnership rated their access to business planning as a well-met area of expertise.

Figure 6 below identifies how adopter organisations are in a stronger position in terms of there being a smaller difference between their need for marketing expertise and how well this is met within the organisation. It appears that having a social enterprise or business partnership places a higher premium on the need for marketing expertise and that the organisations are meeting that need well. In the non-adopters, without these business-focused resource practices, marketing is considered a need but it is not being met at the level of perceived requirement.

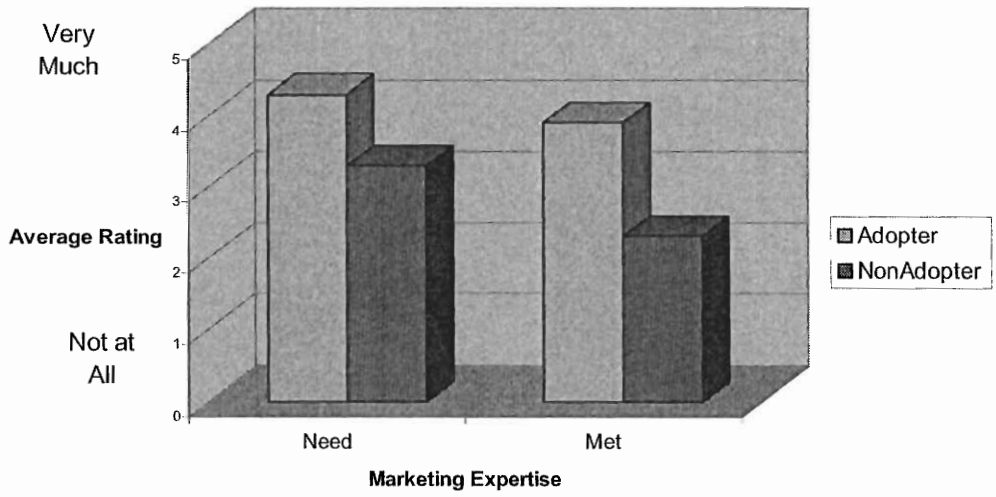


Figure 6 - Comparison of levels of marketing expertise

Similarly, when it comes to entrepreneurial skills, Figure 7 below reveals both the adopters and non-adopters being cognisant of the value of entrepreneurial skills in sustaining an organisation in the current social service resource landscape. Despite the similarity between the adopters and the non-adopters in their ratings of need, the non-adopters rate much lower in having their need for

entrepreneurial skills met. The adopters appear to be in a strong position in terms of having their needs met in this area.

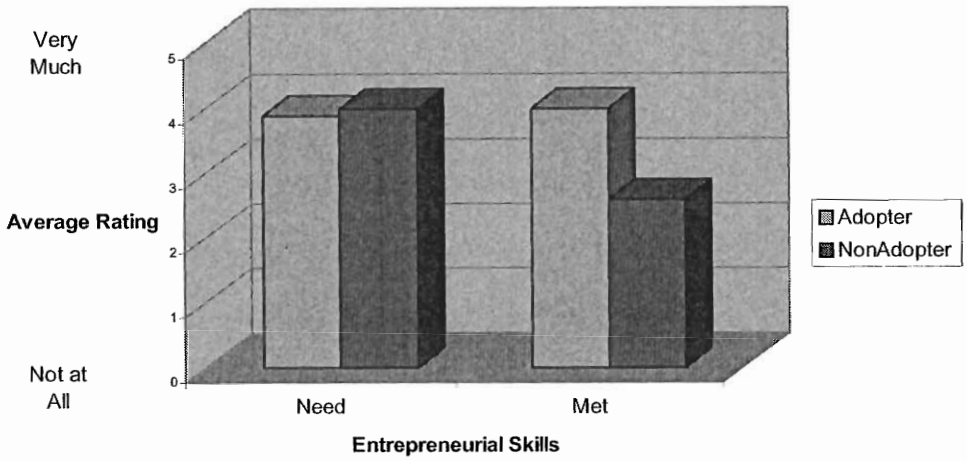


Figure 7 - Comparison of levels of entrepreneurial skills

This section has highlighted that there are some positive and negative consequences impacting on a number of organisation's elements when adopting a social enterprise or business partnership. On the whole, the positives appear to outweigh the negatives and organisation capacity is not only a precursor to adoption but also a consequence. The next section moves the focus from the level of organisational arrangements to a focus on the cultural aspects of the organisation.

13.4 Organisational Culture

Schien (1990) defines organisational culture as the values and behaviours that are believed to lead to success, and are therefore passed on to new members. Young (1998) identified that a shift toward an entrepreneurial orientation does affect the internal character and culture of an organisation. This seemed inevitable in the adopters through recruiting people with a business focus onto

the board and into the executive officer and staff roles. A consequence of adopting business-focused resource practices does appear to shift a non-profit's internal organisational culture to that of a more composite culture, merging a new set of enterprising values with socially focused values.

Most adopters experienced the integration of the business and social paradigms as positive, saying an organisational culture that blends and values the two different approaches leads to more creative outcomes. Some adopter interviewees gave examples of how before developing a more composite culture; the organisation had people with visionary social ideas but no practical business sense to turn the ideas into practical strategies. For example, a board had historically made a decision regarding renting and refitting a new building that was supposed to take the organisation forward. It in fact, set the organisation back substantially, due to the poor decision-making arising from a lack of business sense. This reduced the services able to be offered to clients. Adopter interviewees commented that an entrepreneurial orientation needed to be balanced with social collectivist thinking and nonprofit values. A social approach tends toward prioritising a concern 'for the whole' and inoculates against an overly individualistic, achievement orientated culture forming.

Adoption of business-focused approaches stirred concern in some non-adopters and adopters of a switch to an instrumental value base away from expressive values (Mason 1996; Steane 1997). The later orientation ensures rational practices are aligned with vision or ideology, which takes precedence over legitimate concerns of efficiency or profit. An instrumental approach alternatively prioritises measuring performance along financial dimensions. Fortunately, it seemed that the innovation being displayed in the adopters showed a propensity to integrate two seemingly diverse ends of a continuum. However the integration wasn't free of tension.

The merging of business and social approaches was found to lead to a cultural split in some organisations. This is similar to that of a 'torn country', which is referred to by Huntington (2002) as having "a single predominate culture which places it in one civilization but its leaders wants to shift it to another civilization" (p.138). Huntington goes on to say that people in torn countries "agree on who they are but disagree on which civilization is properly their civilization" (p.138). There are parallels with this metaphor being applied to nonprofit organisations wanting to make the shift to becoming more entrepreneurial in mobilising resources, yet the predominate culture exists in a different reality.

This 'tearing' was evident in both the adopter and non-adopter organisations, often manifesting between the different layers of the organisation - between the board and management, or management and staff. In one of the adopter organisations it was the board cautioning the management and staff to stop and think through their business orientation and actions. Negotiating such tension can lead to deeper contemplation of ideas and directions, the yardstick being "will these business-focused activities at the end of the day benefit the key clients our mission focuses on?" Many organisations used this type of questioning as their litmus test. Some people were accepting of business thinking and skills being used to bring in resources for the community, but a few non-adopters had the experience of business actors using their contribution more to gain something, than to give.

This resulted in varying levels of values congruence between the organisation and individuals (Ritchie 2000). In some instances it resulted in a fragmentation of the organisation's culture arising between members embracing the new directions and others not comfortable with the directions. A consequence of

this is that some staff left working for the organisation. For example, employees in one adopter organisation had delivered government funded programs for many years and were being asked to seek out opportunities to generate private money. Two staff members interviewed said they were thinking of setting up their own consultancy - "If we are going to be made to operate like businesspeople we might as well be our own boss and get paid more". A staff member in another adopter was about to leave due to the business-focused approach, and commented that they "would have gone into the private sector if they wanted to work like this".

A change in values and ideologies was more feared by those who hadn't adopted business-focused approaches, but were contemplating the need to have to do so. A preference for working cooperatively within the bounds of the social services was more acceptable to the non-adopters than moving toward the business sector; with the latter approach viewed as too risky to the nonprofit culture base. The research did not find any adopters had become totally business-focused or lost their socially driven nonprofit culture. It was evident that values, ethics and mission played a vital role in maintaining a social focus when implementing business-focused resource practices. Thus there was support for the proposition that organisations that adopt business-focused resource mobilisation practices are unlikely to be coopted, to an extent where they lose their priority on their social bottom line, if they are guided by their nonprofit values.

Staff working in both the adopter and non-adopters reported being driven by the kind of value-based work the social service organisations engaged in, which was missing in other sectors. The expressive values found in nonprofit organisations can be what attract business leaders to be involved in the first place (Austin 1998b). Some business board members interviewed reported this.

Other people with a business background interviewed in the adopter organisations had made the switch to work permanently in the nonprofit sector because of its cooperative, value-based orientation which they found lacking in the corporate world.

The movement toward business getting involved in 'community business' was found to be a means through which business sector agents could express a longing to engage in meaningful work, appease their human moral conscience and demonstrate an appreciation for community building. Many business agents engaged in community partnerships, nonprofit governance and networks, expressed a key interest in particular social issues such as children with a disability, disadvantaged youth or family issues. For some it was a personal connection with the issue that spurred their interest and commitment. However, as reported earlier, the research did identify some businesspeople had selfish motives in considering opportunities to engage with nonprofit organisations. On the whole, the adopters appeared to be making choices to engage with businesspeople who shared the organisation's values and ideology.

Respondents suggested that the motive and integrity driving an action was more important than the action being engaged in. Below is a quote from one adopter executive officer engaged in a social enterprise:

> It doesn't really matter what activity you're engaged in, whether it's a social or business one. It's the manner you go about it and whether you are accountable for maintaining core values to serve the mission. So what was really important is having integrity in your motivation and ceaseless asking in whose best interest is a particular action for? This needs to be applied to both socially focused and business-focused actions. They both can have positive or negative motives driving them.

The next quote is from a non-adopter interested in developing a business arm but having had a bad experience working with two businesspeople previously, who wished to direct the resources toward their own commercial ends:

> We could never take that sort of path again. Any money that we generated out of a business enterprise should be given back to the community for assistance, whether it would be for young people or whatever. It's about creating it for the community and if it was to purchase buildings or whatever it would be for the community.

Having a mismatch in values and ideologies appeared to be the exception rather than the rule in the organisations studied that were integrating business culture. Spall (2003) examined the impact of the quasi-market concepts aimed at improving efficiency and quality of services provided by community services on the organisation's value base. It was found the values base was not significantly affected. Spall suggested that the nonprofits interpretive schema is more robust than initially thought. Whilst there has been some questioning about the cultural assumption of the 'myth of pure virtue' within social service organisations, Spall found that organisations still hold firm to their altruistic beliefs despite engaging in quasi-market behaviour.

Another Australian academic, Earles (1998), has indicated a concern that the movement toward new community institutional shapes, of which social enterprises and business partnerships are examples, do not allow convergence between values and practice and, in fact impeded certain values. The essence of this line of thought is that institutions are shaped by their resource orientation. For instance in the 80's and 90's government agencies were shaped as purchasers, and non-government agencies were shaped as providers. We now

have social service nonprofit organisations being shaped as providers *and* resource generators.

Bush (1992) argues that there is a need for cooperation and collective engagement in trying to solve social problems. It seems this is possible where business actors and practices become options that can operate *within* a socially focused nonprofit cultural framework. Bush emphasises Jon Van Til's (1990) words of advice that whilst it may not be possible or useful to vaccinate against capitalist-encouraged individualism and commercialism, that we should struggle and fight to "preserve altruism and solidarity as core values" (p.403).

In summary, it seems there are some potential threats to the culture of nonprofit social service organisations, and their associated values and ideologies, when engaging in business type practices. However the strong values based orientation of the social services appears to inoculate them from these threats developing into significant problems and allows such input to lead to new opportunities. In fact, the tensions experienced within a composite culture can lead to innovation and be a catalyst for an organisation to revisit and strengthen its culture and values. The next section looks at the consequences arising at the service delivery level following adoption.

13.5 Innovation in Service Delivery

A positive consequence of having resources independent of government is the greater freedom to innovate in service delivery, "to do some very useful work in areas in which there is no government funding directed". Thus whilst the research has been mainly interested in understanding why some organisations are able to adopt a process of innovation in resource mobilisation, clearly this impacts upon an organisation's product, in this case service delivery. The

research identified that a consequence of adopting a social enterprise or business partnership was that it allowed organisations to be more responsive and trial new ways of working that did not fall within mainstream government policy. As one interviewee commented, "The new money we have has permitted us to expand the services in the community into other areas".

Innovative service delivery was possible due to acquiring less constrained resources and inherent in the process of implementing a social enterprise or business partnership. This can be important for the nonprofit social services as a whole, as in some areas of practice' the non-government sector is well ahead of the government in how to make headway of key issues. As one adopter commented:

> We were wanting to try new forms of innovation, but our funding guidelines wouldn't allow it. We now have some freedom through our partnership to do things totally focused on what's required, not what government wants. The consequence with business-orientated approaches is if you're really entrepreneurial you will at times change at such a rate to respond to the community that if you're dealing with a funding body they can't cope with that.

In having the freedom to respond flexibly and change direction, it was noted it is important to check that the organisation's target group was the focal point. As one interviewee commented:

> It's about the appropriateness of innovation and whether it has tangible benefits rather than being a process to changing things because it's fashionable to always be inventing new approaches.

There was evidence that the adopters thought through the ramifications of service delivery changes, or new directions they were forging, as a result of

having additional resources. One executive officer from an adopter organisation reported:

> I try to look at the whole picture. From my perspective anyway, if I'm going to make a decision that's going to affect our organisation I look at the whole picture and what its ramifications are down the line, across the line, before I would make a decision.

Though the research identified possibilities for service delivery innovation resulting from the adoption of business-focused practices, innovation has been shown to be contingent upon other variables in the external environment and institutional framework of social services (Osborne 1998b). We now turn to look at the impact adoption has had on the advocacy role in organisations.

13.6 Advocacy

Advocacy was a recurring theme in the data collected. Across both the adopters and non-adopters, people reported how the advocacy function was being diminished and restrained and not adequately resourced by government. Yet despite this, people reported government still had an expectation that nonprofit organisations would perform a supportive advocacy role. One adopter interviewee defined this as:

> Fulfilling one's social responsibility to tell the world that you're delivering services with government and public money and that the issue being addressed is critical. This is different to telling the world that government is not fulfilling its social responsibility.

Reclaiming the advocacy function within social service nonprofits was reported to be a positive consequence of diversifying resources beyond government. As one interviewee from an organisation with a business partnership commented,

"We have been able to advocate for them [the client group] a lot more and that's good, and that doesn't threaten corporates like it does government". However there are instances of nonprofits needing to also advocate against corporations. This wasn't an issue in this research with social service nonprofits, though reportedly it does occur more in relation to the type of work international and environmental nonprofits are engaged with.

From the interviews with businesspeople, it is unlikely that they would enter a partnership with a nonprofit organisation to solely support an advocacy role. Business, like government, often likes its investment to be associated with something tangible at the service delivery end. However many businesses, even though highly engaged in a partnership, were not prescriptive in how the funds they provided should be spent. Thus nonprofits could strengthen their advocacy role within the suite of services delivered. It was positive to see that often business was interested in supporting the organisation's vision and mission, but open to how things were delivered at the strategy level. The difference between government and business in this manner was that the former see themselves as the experts, whereas businesspeople saw the nonprofit as the experts in social service delivery.

Obtaining resources through a social enterprise appeared to give a nonprofit even more freedom to spend these resources without considering the thoughts of an external party outside the organisation. Decisions made to strengthen an organisation's advocacy function still needed some consideration of how this might impact on the organisation's other resource strands. There were also the diverse views of the board to be negotiated. It seemed the important anchor was testing whether the decision to invest in advocacy advanced the mission of the organisation. More is said on the importance of the focus on mission in the following section.

13.7 Mission and Target Focus

Bush (1992) suggests that as an organisation "becomes economically goal orientated it can lose its focus on mission" (p.399). He also suggests that a focus on mission need not be in competition with sound management practice; particularly if this focus relates to the careful stewardship of resources. Some interviewees, particularly staff, expressed concern that business thinking "leads to a vastly different way of working". There was a scenario where one organisation had moved quickly to partnering with business and changing their members on their board to businesspeople. During the change their focus had been taken off one of its programs and they had forgotten about a whole group of clients that the organisation was responsible for engaging with. A non-adopter board member that runs corresponding services without the business focus, in another jurisdiction, reported:

> Their CEO is a deadset marketer and he's a figures man. I'm a people person and I am interested in outcomes for people not for the organisation. You can have prestige and you can have a big fundraiser with every big person in the state, and have alliances with the premier and politicians and all that, but at the end of the day are you really aware of what's happening to the people that your organisation serves? I must say that our situation is much, much different. The way this was set up is about whole-of-life, whole-of-person. We find if someone doesn't turn up to the service they are followed up as we are concerned about their circumstances and look at their home situation. Their organisation is run more like a business, you turn up to the activities, pay your fees and that's it.

This adopter organisation the interviewee was referring to have gone through a rapid growth phase and major changes in their governance model and membership. They created a more diverse membership mix including people

from the corporation the organisation was in partnership with, social service professionals and some parents. Previously the management committee comprised a large proportion of the constituent's parents. A parent board member interviewed from this adopter organisation suggested the changes had been positive for the organisation, with significantly more enhanced services for clients, though highlighted there were teething problem in ushering in a new way of working.

As will be discussed in the section on business relationships below, one adopter was working with a corporation where it was hard to see the synergy between the two organisations. Some of the nonprofit staff were concerned that though a lot of resources were coming from the partnership, there wasn't a strategic link between the corporation and the nonprofit and their mission. One particular staff interviewee reported, "I'm certainly not happy with the approach and have found another job and will be leaving soon".

Interviewees from other adopter organisations reported changes in the direction of their organisation as it moved toward diversifying its resource base. Often the change involved an intensifying of the focus internally on the organisation, with a lessening of the focus on service delivery. The staff members delivering services were the ones particularly uncomfortable with this shift. However as raised earlier, this change of emphasis seemed to be a developmental step that eventually enabled the organisation to refocus and expand out options of achieving the mission, due to not being solely reliant on government funding. One staff member from an organisation that had a social enterprise commented:

> Before we were only...our previous mission revolved around the way that the government set up the funding. So they said don't you dare provide information to anybody other than individual clients we specify otherwise

> they'll have to pay for it, and that made our life too difficult so we pretended that we didn't give information to other people. Then due to our social enterprise we developed a new mission and said, well why shouldn't we provide it under that free service?

On the whole, adopters reported that they would only go into an enterprise or partnership if it meshed with their mission. Some had built into their strategic plan that they would only form a partnership with a like-minded organisation. One board member commented:

> I don't think we would be in a situation were our mission would be affected by that and if it did then I think we would back out of the partnership.

Another major issue is the reported consequence associated with servicing particular issues or target groups that are more or less favourable in a business sense. For example non-adopter interviewees reported:

> Businesses think of children in cutesy terms, but are less comfortable dealing with some of the heavy stuff organisations do, such as work with severely disabled or abused children.

There was a lot of speculation from the non-adopters about how business would view certain social issues, though this didn't match up with the reality of the adopter's experience. Non-adopters tended to think business stakeholders would rate their mission and target group as unattractive. For example, one non-adopter thought that it would be relatively easy to get support for young children in a foster care program, but that it would be more difficult to get support for young people in shelters, who they worked with. Yet two different adopters had been equally successful in attracting business support for both of these areas. One non-adopter had made the following judgment about the

likelihood of garnering business support, making assumptions about business expectations:

> I think our main thing is we are unlikely to be successful because though they might love to assist our target group, but how the target group can assist them back there's no middle ground. So we are behind the eight ball. Within the last twenty years in terms of disability or an intellectual disability it's come a long way but there is still a lot of barriers we face in the community.

Another non-adopter similarly reported a negative expectation about gaining business support for their target group:

> Most community agencies work on the coalface with difficult clients and in demanding jobs. Some of our clients with disabilities are never going to achieve skills; they are at a point in their life where their skills are decreasing if anything. How on earth is that attractive for a corporate sponsor to get involved in, if your client group is not going to be able to do anything? I know that is a horrible way of putting it, but it really does come down to why companies want to be involved in things. As I said, I think there are certain types of work that corporates want to get involved in: but the types of work we do are not those.

However one businessperson interviewed, suggested they had a life changing experience seeing the resources they had given, purchase technology that enabled a person with a severe disability be able to communicate to people for the first time. They were clearly very committed to seeing their resources used for people with severe disabilities.

A non-adopter working with Aboriginal people commented:

> In this particular area it's still very racist, and people don't like to give money out to Indigenous organisations because they can think you're going to rip it off yourself. That's a big problem about sponsorship. We've applied to those

> through the club scheme for the gambling money and that has been rejected all the time, and I think that's what it's got to do with. Even though the number of Aboriginal people here is really large they still don't focus things towards Indigenous people. Business talk about crime rates and that, but they don't put anything in to address those things.

It certainly seems to be true that the focus on a particular target group can go through various cyclical changes with varying political and media support, and this might influence business interest. For instance, the Paralympic Games in Sydney, following the Olympic Games in 2000, was reported to help raise the profile of people with disabilities at that time. This context helped one adopter in establishing their social enterprise. The harsh treatment toward refugees expressed by the Federal Government through their detention, and with the staging of the 'children overboard' incident, lowered government support for one organisation but increased public interest in the issue. Many interviewees reported they needed to learn how to market themselves and their mission, taking into account public opinion and ignorance, without jeopardising or stereotyping their clients.

There did seem to be potential ethical dilemmas that could crop up, in regards to a socially driven organisation having a business arm, and the flow of resources either to, or away from the mission. Although it wasn't found in the cases studied, one interviewee had worked in a charity that had a business arm where the funds were being removed out of programs and consumed into the commercial business, which was supposedly to bring profits back into the charity. The practice was antithetical to how the flow of resources was meant to occur. Interviewees who had established social enterprises argued that an important ethical response was to ensure that any enterprise development was sustainable, and that it could value add to an organisation's mission not take resources away from existing projects.

13.8 Relationship with Business

The literature has reported a concern that support from the business sector is rarely altruistic and can carry the consequence of influencing the policies and directions of the recipient organisation (Karl 1983). One non-adopter had invited two businesspeople onto their board, who were business partners with each other, but they later found out their motive to be involved in the nonprofit was so they could attract government funding for a private project they were establishing. So rather than adding value to mobilising resources for the organisation, they started taking from it. From that experience, the executive officer recommended organisations needed to be careful of the risks associated with bringing business-focused people on board who have selfish motives, and not aligned with the organisation's ideology and values. While this was a 'one off' occurrence across the cases, it does highlight the importance of careful recruitment of board members.

Some adopter interviewees reported that the introduction of entrepreneurial people with business backgrounds into the organisation could result in a scattergun approach to resource mobilisation. This is because people with those qualities tend to want to go off in different directions, always toward the new rather than deliver sound follow through. One adopter organisation had had this experience. Even though their entrepreneurial executive officer yielded lucrative opportunities, it was in the organisation's best interests that they introduced an operational business manager to consolidate and introduce processes to bed things down.

Milofsky and Romo (1988) found idiosyncratic practices common in business partnerships; with some businesses focusing on their ideological or philosophical interests, others their image in the community and with their

employees, and some to improve the community that they operate in. The businesspeople involved with the adopters, predominately focused on what they could give and all displayed a real interest in working on social issues to balance their dollar filled days. As businesspeople they were open and factual about discussing the business benefits gained as a corollary to their involvement. For example, they were relatively cognisant of engaging with a partner that had some strategic alignment with their corporate social responsibility agenda.

The synergy between a nonprofit and business wasn't always obvious from an outsider's point of view, for instance, a partnership between one corporation dealing in construction and earth moving machinery and a small organisation working with people with disabilities. But it was the linkages the nonprofit had across the state and involvement in a range of regional areas, where the synergy between the two happened. The partnership could build a positive profile of the corporation in regional and rural areas where it worked, and the nonprofit had access to a wider volunteer base through the corporate staff: an area they struggled with in rural locations.

It does appear that there are some areas within the social services that find it more difficult to obtain resources from business. As highlighted in the preceding section many of the non-adopters perceived their organisation's mission to have no interest to business, and yet businesses were working closely with a similar mission in the adopters. However, it was the experience of both the adopters and non-adopters that business did steer clear of being associated with some social issues such as child abuse, domestic violence, sexual assault and some forms of advocacy. From a marketing viewpoint, a business needs to limit association with negative images as that can turn people away from transacting with the business, and lead to negative impacts on their

bottom line. Business involvement in some forms of advocacy can be potentially complicated and politically sensitive.

Critics against business investment in the social services have expressed concern about the likely instability of support from business. There was evidence of the volatility of some commitments, due to changes in business direction. For example, one adopter was given a building rent-free from some developers but only until there was a commercial opportunity for the developer to use the site. Without knowing what timeframe was available, it was hard for the nonprofit organisation to plan their use of the building.

Examples were reported in the media, during the time of this research, regarding mergers or companies floating on the stock exchange and how this resulted in severing or changing a partnership they had with a nonprofit organisation. Overall the adopter organisations case studied in this research reported fairly stable relationships with business, with commitments generally extending across a few years. However adopters of business partnerships acknowledged they could be vulnerable to change at any point and were aware of some nonprofit organisations that had had their support truncated early - similar problems occur in obtaining resources from government.

One consequence reported by adopters engaged in a partnership with business, was the wariness directed toward them from people from other nonprofits. Interviewees reported that adoption could distance other nonprofit organisations. As one interviewee commented:

> I think this [working with business] sometimes causes problems in terms of how other people view us; in that we are willing to work with corporates. Sometimes I think there is a view, who are these corporates? That they are capitalistic pigs, and you know there is some of that. I guess we have always

> looked at, well, we are a whole community and that we have to work together. We are strong on our morals and ethics and are not willing to compromise on important points.

Social enterprises, though bearing risk for a nonprofit organisation and involving unpredictable resource flows particularly in the early stages, were reported by some interviewees as providing an opportunity to transcend some of the limitations discussed above. However social enterprises can lead to other consequences. For example, some people reported that businesses could react negatively to nonprofits setting up social enterprises, due to the unfair competition they introduced because of the taxation relief they get. This led to a fear they would come in and undercut for-profit businesses. There have been reports in the media in Australia regarding the unfair competition non-profit enterprises can create. Those running social enterprises suggest that because they are supplementing additional services through the enterprise, rather than just running the business, that this balances out the taxation advantages they obtain.

In response to this type of concern, an executive officer running an organisation with a social enterprise made the following comment:

> Well I have to tell you, there's no way we're going to undercut you because we're only just treading above water. I bet we're not making as much profit as you are because we don't really know how to do it and we're trying to fit it in with all of our other business. Because I defy those people to try and run a community service for the government, and they've tried that. You know the job network has really shown that, in as much as they [for-profit providers] didn't do very well in the community sector approach, the community sector is struggling with the private sector approach.

It was evident that the competition can run both ways, as the social service landscape is in an area where for-profit providers sit side by side with nonprofit providers, and bid for social service contracts that once were predominantly the realm of nonprofits only. The blurring between pure civil society action, and a more entrepreneurial focus, has created challenges to the old distinction of business being the only player to generate direct revenue through enterprise - and nonprofits being the only providers of social services. There is also the dimension pointed out by Bush (1992), whereby nonprofits using for-profit methods create demand for social products, much as business stimulates demand for its goods and services.

Many adopter interviewees reported that the outcomes arising from interactions with business could be unexpectedly positive. Outcomes were often not only to do with resources, but included the advantage of businesses engaging in an awareness raising process, through being exposed to social issues. This had the potential for key lesson's to infiltrate into business as a result. For example, one business reported changing their practices in how they billed people struggling to pay their dues owing, as a result of being more intimately exposed to low socio-economic families and better understanding their unique stresses. This was a mission accomplishment for the social service organisation. Another adopter interviewee commented:

> I think that we are winners if we are able to educate businesspeople. Even if we only got $100 it would be a positive outcome if community education came out of it. I can think of one example where we presented to a funding committee that had some businesspeople on it to get some research money to look at the issue of domestic violence and why women don't follow through with apprehended violence orders. The benefit of that and the great spin off was that the members of that committee asked lots of questions and some went "wow I didn't realise that was such an issue in

this community". Some of the members became interested in the issue where they are now active members in our management committee and so that becomes a positive spin off.

Though the adopters could see the rewards - in terms of mobilising resources - integrating business thinking and skills into the organisation had yielded, even the businesspeople themselves reported needing to guard against developing an extreme competitive commercial culture. Many of the research participants gave examples of how they thought some of the large charities had moved that way as they had become successful in commercial ventures.

Bush (1992) believes there can be consequences when an "interest in efficiency come to dominate non-profit thinking and action, more people may slip through the cracks of the so-called social safety net" (p.393). Adopter interviewees did highlight that people with business expertise introduced a type of thinking that "would question decisions around sustaining very resource intensive programs that only impact on small numbers, but these tended to be for the most marginalised people". However there were no reports of major changes in mission or restrictions in service delivery, as a consequence of having relationships with business, or the involvement of businesspeople on the board.

In summary, it seems there are wide-ranging consequences possible in a social service organisation's interactions with business. Whilst risks potentially exist, they can be monitored through having realistic expectations of the scope and purpose of the interaction and maintaining a clear line of sight to an organisation's socially based values. Organisations not adopting a social enterprise or business partnership tended to be limited in their access to business thinking and skills, and networks with business. Though there are

risks they don't have to guard against, there are also opportunities that they miss out on as a consequence. We now turn to look at the consequences of adopting a social enterprise or business partnership in relation to interacting with government.

13.9 Relationship with Government

The important issues in relation to this heading have been discussed at length in Chapter 6. In terms of overall consequences, the changed nature of government funding has had a more significant impact in creating a context for the adoption of business-focused resource practices: than social enterprise or business partnership adoption impacting on government funding arrangements. However, at the organisational level, there were some positive and negative consequences associated with being successful in acquiring resources from a social enterprise or business partnership.

Bush (1992) raises the concern that an orientation toward entrepreneurship would give government a heightening expectation of what nonprofit social services can and should do, and justify their removal from the resource equation. There was also some evidence of how increasingly government provides seed funding and then expects social service agencies to develop other resource options longer-term. Thus there is an increasing orientation toward encouraging organisations to gain top-up funding from private and business sources.

Some interviewees in adopter and non-adopter organisations, feared independent sources of revenue would 'crowd out' essential government funding. There have been some worthy and significant pieces of research in this area (Abrams & Schmitz 1984; Payne 1998; Horne, Johnson & Van Slkke

2005), though they have tended to focus on private giving and whether government subsidies to nonprofits affect private giving decisions. On balance the results suggest some 'crowding-out' concerns are valid, but in a limited context. It seems that private donors are less likely to be concerned that an organisation is already receiving government funds; and that successful organisations attract the interest of donors and government (Horne, Johnson & Van Slkke 2005).

There were reported instances of applications for government funding, being assessed as less needed for organisations that are successful in securing resources from other sources. A number of the adopters reported that their success in gaining resources from business could limit their capacity to obtain funds from government. There was one adopter organisation that had not been successful in a local government funding round, despite having a very high reputation in the region for working with the target population, because of their relationship with corporations. As one of the assessors on the panel had suggested to the researcher, "They were rated as not in need of the money because of their corporate partnership". Another government representative, involved in funding nonprofit social services, made the following comment about an adopter organisation:

> Their executive officer put in an application for government funding. The committee said 'the organisation's got plenty of money, they've got heaps of money as they have a corporation onside, we don't need to fund them; look there are all these other organisations that need it more'. The irony of it is in fact their organisation is trying to provide youth services to the same client group that those other organisations may be, and doing a better job. But they get knocked off the scale instantly as they do have the face of business biasing them.

On the positive side, as mentioned in Chapter 6, some organisations increased their confidence level for liaising with government and getting their needs met following adoption. One adopter executive officer reported, "being more able to assertively negotiate with government departments for more equitable contract conditions". Adopters generally reported gaining greater respect from funding departments through the success of their partnership or enterprise. This resulted in them being legitimised as a high performing nonprofit organisation and therefore more successful in acquiring additional government grants.

People commented that the strength of an organisation receiving government funds, in addition to private sources, is that there are certain contractual obligations that organisations have to comply with and they filter down into how industrial relations and human resource management are handled. These conditions could be jeopardised if an organisation's funding shifted totally to private sources where they don't have those requirements. For example, a number of social service government contracts stipulate that certain legislation applies; that staff are paid award wages, provided supervision, and learning and development opportunities. One staff member from an adopter commented that:

> Perhaps you could have a situation where people are no longer paid award wages. They are made to work considerable amounts of overtime without recompense. That would be one of the dangers of receiving total private money in working with social issues. I don't think it would necessarily happen in this organisation because I think we have really ethical management. But the potential could be there and I think if people are waving money at you with no consequences it could be enchanting to think OK we could provide all these services with a little less.

Industrial relation changes occurring in Australia will see enterprise bargaining continue to grow in nonprofits. For many nonprofit organisations, greater flexibility in remunerating staff is beneficial as the award wages are too low to attract and retain quality staff. However, eroding nonprofit social services standards could be problematic for both workers and the constituents served by the organisations. As the adopter interviewee above has highlighted, the mix of some government regulation imparted through service agreements can be a good thing in maintaining standards. Though as others have pointed out, gaining additional sources from elsewhere that have no prescriptions attached, gives freedom to innovate beyond the restrictions of overly prescribed service delivery parameters.

Overall, having alternate resource sources in addition to government funds is perhaps the recommended approach. In this way an organisation gains the benefits of maintaining minimum standards and targeting needs identified within a (hopefully) evidence-based policy process, whilst at the same time having the flexibility to innovate and respond to locally identified needs.

As highlighted in Chapter 6, people saw the diversification of their resource base as a strategy to compliment their government funding and provide greater independence, but not necessarily total independence from government. People were seeking a buffer against responding to purely externally driven priorities, and wanted to create some space where direction could be set based on local need. Some felt waiting on government to come forth with resources to address social need was too risky. Two different adopter board members made the following comments about these issues:

> You often sort of perceive ways that you can provide an improved or more comprehensive service for your primary client group; but if you just sit back and wait on government funding to be allocated to that or went down the

path of trying to lobby, it's just ...well I think often the sense is that's just too tough, too competitive, too risky.

The political process is so slow at times; funds are so tightly pocketed or locked away in terms of historical allocations that it's not a responsive system to emerging needs.

To conclude this discussion on the consequences of adoption upon a nonprofit's relationship with government, it is pertinent to re-emphasise points made in Chapter 6. That is, in relation to mobilising resources to meet the social needs in society, government and social service nonprofits work best as partners on equal terms. It seems the government role is perhaps best as enabler through provision of core funding. In this role their job is to ensure evidence is used in meeting social needs and that service delivery standards are maintained.

13.10 Conclusion

On the whole, the consequences of adopting a social enterprise or business partnership are positive in that they:

- bring additional resources in to the organisation;
- enhance a number of dimensions of organisational capacity;
- generate creative outcomes through development of a composite organisational culture;
- reinvigorate advocacy functions;
- strengthen government negotiations; harness business relationships for social ends; and
- allow for innovation in service delivery.

There are threats that need to be managed so that adoption does not detrimentally impact on the culture of the organisation and target group/s being served. The main problem to be monitored is that business approaches don't become an end, in and of themselves. They should exist at all times *within* a context of serving a social mission and be directed by nonprofit values.

In considering the values driving social enterprise or business partnership development, it appears that a capacity to engage in market forces without losing sight of social purpose and mission is important. The results of this research show that although organisations might adopt a business focus, they can maintain a very strong focus on the mission. This concludes the results section of this thesis. The next part of the thesis provides a summation of the thesis reflecting upon the research aims, results and literature. It discusses some of the implications arising from the results.

PART III SUMMATION

CHAPTER 14 DISCUSSION

14.1 Overview

This thesis began with an interest to understand why and how some smaller nonprofit organisations delivering social services are adopting business-focused approaches to resource mobilisation, when most similar organisations around them are not adopting. It also questioned what the consequences of adoption might be. The results identified a range of conditions, some necessary and others sufficient, which act in combination to produce adoption. The results also highlighted the flow-on attributes arising from adoption.

So why is adoption occurring in nonprofit organisations? The majority of organisations case studied are interested in diversifying their resource base to build organisational sustainainability. Nonprofits are generally aware of the current trend to consider business-focused options as an alternative to government and are interested in the possibilities that lay there. The context is seemingly perfect for supporting adoption: government purse strings are tightening, funding parameters are more ridgidly defined, advocacy is restricted by organisations against the hand that feeds it, and the political nature of funding means some social issues area not a priority. There is also strong momentum within the business sector for organisations to demonstrate their social responsibility whether for enlightened self-interest reasons (which is most common) or pure altruism.

Wider influences create a supportive context for adoption to occur, so why then are so few organisations adopting? A critical issue is that organisations need

good levels of organisational capacity and current levels of strain in the nonprofit sector limit this. Another essential element is that organisations need staff and board members with strong levels of self-efficacy for shaping business-focused resource mobilisation opportunities. Most nonprofits experience the world of business as a foreign land; full of nuances they don't understand. They are prohibited from building a strong sense of agency because of the language barriers and a cultural divide.

Not only are organisational capacity and self-efficiacy essential for the nonprofit if they want to sieze business focused resource opportunities, but they need in addition to these variables either: strong governance arrangements; productive networks; have within the organisation access to business thinking and skills; or to be propelled by a crisis in government support. The underlying story line from the results is that nonprofit's need to not just focus outward in serving their mission but invest a proportion of energy in taking seriously their own internal organisational dimensions. The immensity of this challenge for smaller organisations should not be understated; it inhibits more organisations from becoming successful adopters.

Interestingly whilst organisational capacity and self-efficacy were found to be empirically very important, they were not predicted as descretely significant variables by existing theory. Whilst the variable self-efficiacy has been found to be empirically valid in a range of organisational domains, the linkage with nonprofit resourcing outcomes had not been previously made. Organisation capacity in a nonprofit context had been refered to generically in the literature, but was less developed as an empirical concept prior to the research.

Other variables predicted from theory as important in resource mobilisation – governance, networks, business-thinking, crisis in government support – were

supported as empirically important but within a context of operating alongside the influence of organisational capacity and self-efficiacy. Table 5 links the significant variables against a range of theoretical implications and theoretical frameworks. These are then discussed in further detail below.

Significant Truth Table Variable	Theoretical Implication	Theoretical Alignment (post analysis)
CAPACITY	Organisational structure, practices and processes important in resource innovation	Organisational capacity literature Resource Dependency Theory Organisational Stages of Devlpt.
SELF-EFFICACY	Importance of the role of perception and cognitive orientation in resource innovation	Self Efficacy Theory Resource Mobilisation Theory
CAPACITY * *GOVERNANCE* * SELF-EFFICACY	Power of hybrid models of governance	Governance Literature Resource Dependency Theory Innovation Literature
CAPACITY * *NETWORKS* * SELF-EFFICACY	Networks can contribute to positive resource mobilisation outcomes	Social Network Theory Resource Dependency Theory
CAPACITY * SELF-EFFICACY * *GOVCRISIS*	The right kind of government support is a stimulus for innovation	Resource Dependency Theory
CAPACITY * SELF-EFFICACY * *BUSINESSTHINK*	Resource innovation is stimulated by integrating practices and principles from the business world	Resource Dependency Theory Innovation Theory

Table 5 – Overview of the Theoretical Implications of Results

14.2 Organisational Capacity: The Foundation of Resource Mobilisation

To be successful at adopting a social enterprise or business partnership, organisations have to be able to build structures, devise strategies and leverage financial opportunities through infrastructure and investments. They also need

to be able to attract, retain and develop people who offer strong self-efficacy in relation to business-focused resource mobilisation; strategic level governance; and who provide business skills, experience and networks. This result is aligned with a number of references in the literature discussed in Part I of the thesis where authors have directly, and indirectly, highlighted the importance of the elements of organisational capacity as a precursor to innovative forms of resource mobilisation (Drucker 1974, Letts, et al. 1999, Light 2000, Segawa & Segal 2000, Bednall et al. 2001, BRASS 2004).

A challenge in defining organisational capacity in this research was in deciding what boundaries delineate its features, as it can potentially encompass every organisational building block, which could be seen as essential to the development of any organisational outcome. Organisational capacity for example, could have been presented as a higher order concept that encompasses governance, business thinking, self-efficacy and networks. These are separate components in the theoretical model generated in this research, though in other literature some of those dimensions form part of an organisational capacity construct. Long (2002) for example, suggests that organisational capacity is built from committed leadership, knowledge enhancement, network building, valuing the organisation, and supporting information.

The literature has also pointed to the problem of there being a lot of rhetoric about capacity, and that because it can cover so many phenomena the concept easily loses its rigour and meaningfulness. Connolly and Lukas (2002) suggest the word capacity is "an abstract term that describes a wide range of capabilities, knowledge, and resources that nonprofits need in order to be effective" (p.15). This notion of fulfilling ones mission in an effective manner is commonly a central tenet in defining organisational capacity.

In actual practice, dimensions such as governance and networks do build an organisation's capacity; but the empirical observations made from this research cordon these elements into separate constructs because they were each distinct in their influence upon resource practices. Future research, using a larger sample, might collect extensive data and run regression analyses to identify the relative hierarchical loading of factors in relation to the capacity construct. However, from this current research four important areas of capacity have been identified. We now discuss the four dimensions of organisational capacity that emerged in the results: structure; strategy; financial capital and human capital.

If nonprofit organisations are interested in adopting a social enterprise or business partnership, then they need to structure themselves to allow for the inclusion of skills and functions required to develop and operate these practices. The adopters have shown a range of structural options that are available to smaller organisations, which can provide organisation capacity for these forms of resource mobilisation. For instance, volunteer positions can be allocated to work on alternate resource mobilisation, with little cost to the organisation. Alternatively, paid staff can be given defined periods to build new resource strategies. However these options require the combination of the other capacity elements, such as a strategy informing directions and the right human and financial resources behind it. The research suggests other conditions come into the equation for adoption to be successful, such as the self-efficacy of those working on resource mobilisation, and the presence of one or other of the sufficient conditions.

Strategy and the power of intention to develop a partnership or enterprise are identified as particularly commanding when embraced not as a chore to please external agents, but as a tool that outlines the activities required to build

organisational sustainability. Resource mobilisation strategy needs to be planned for, managed and communicated clearly within and without an organisation. Actively managing a strategic approach to diversifying resource mobilisation - which encompasses activities that span both social and business contexts - was found to be highly demanding, though also rewarding, for those governing the adopter organisations.

Goerke (2003) suggests that to build capacity in nonprofit organisations requires business development managers who are skilled, qualified and experienced in a range of areas. These include: strategic business planning and development; promotion and marketing of the organisation; public relations; and creating and managing commercial enterprises. Attracting and retaining the presence of "entrepreneurial people who are really committed to providing services to disadvantaged members of our community" (adopter, executive officer) was found important in leveraging the capacity of the organisations for resource mobilisation.

Both the adopters and non-adopters reported it being a serious challenge to attract, remunerate and retain quality staff, particularly as the conditions and salaries able to be offered in the nonprofit organisations, are well below the business and government sectors. Organisations need to think of creative ways of remunerating and investing in staff to meet this challenge. However it was the experience of the adopters that there are people with business skills and a committed social interest wanting to be involved as volunteers and staff in more purposeful value based work than profit-focused work provides.

Many jobs in the business sector provide people with little opportunity to produce anything of significant inherent value or impact on people's lives in a meaningful way. It was evident that there is a pool of human resources, which

can be tapped into, as there are businesspeople that are seeking other avenues through which they can be fulfilled. Some of these people are financially secure so have the freedom to make choices to work for purpose rather than money; others who still need to work are seeking volunteer opportunities to enrich their business role.

The research highlights the importance of having access to social venture capital and low cost infrastructure, to facilitate the development of social enterprises. Government and business can both play an important enabling role, in improving the financial options for nonprofits so that they can diversify their resource options. Support could include the provision of commercial expertise, education, and funding for social initiatives determined to find solutions to Australia's social problems.

The business community is playing a role supporting social enterprise development through a nonprofit organisation called Social Ventures Australia (SVA). SVA provides a multi-layered mentoring program, an education program and funding distribution based on traditional venture capital models. Government could follow the lead of SVA and also provide assistance in venture capital to socially focused nonprofit organisations.

Looking from a developmental perspective, the adopters reported their capacity for business resource practices developed over time. Beginning as organisations run predominantly by volunteers, they increasingly evolved to rely on government funding and finally evolved toward an integrated model; involving a mix of volunteers, government and private sector resources, and engaging with a business or developing a social enterprise. The developmental process was an inclusive one, with practices integrated rather than discarded in embracing the new. For instance, adopters were still very reliant on volunteers

and in some cases expansion had occurred in the volunteer base through developing linkages with business. In contrast, many of the non-adopters were in a stage where their attention for resources was predominately on government funding and the need to extend beyond that hadn't quite come on the agenda, even though they talked about the restrictions in their government funding as identified in Chapter 6.

Stevens (2001) underscores the need to include an examination of nonprofit capacity within a lifecycle approach, presenting seven lifecycle stages raised in section 3.3 (Idea; Start-Up; Growth; Mature; Decline; Turnaround and Terminal). Reflecting on Stevens' model, the capacity to adopt new resource mobilisation practices will look different from one stage to another. Also the adopter and non-adopter organisations looked to be at different stages of development.

The adopters appeared to be in the mature stage prior to adoption. This stage is characteristically about consolidation and a focus on strengthening operational and management systems; refocusing mission, values and culture; and seeking opportunities to shore-up the organisation's sustainability. Flamholtz (1986) has emphasised the importance of strategic planning, management development, and effective leadership, to achieve organisational consolidation. Alternatively the non-adopters appeared to be in the growth stage. This is characterised by professionalism, where the focus is on developing the organisation's capacity to professionally manage their existing services rather than focusing on organisational sustainability issues.

Dunphy, Griffiths and Benn (2003) refer to different phases an organisation goes through in negotiating change on the path to sustainability. It might start in the rejection phase then move to non-responsiveness, compliance, strategic

proactivity and finally achieving a sustainable organisation status. A similar process was observed in this research, with the adopters more strategically proactive and the non-adopters at various stages between rejection and considering alternate resource options to build sustainability.

A very real tension that social service nonprofit organisations reported experiencing was between strengthening their *internal* organisational capacity versus focusing on *external* service delivery. Under severe resource pressures the non-adopter organisations - which are representative of a more significant proportion of nonprofit social services than are the adopters - default to directing resources to the activities that directly serve their mission and see investing in organisation capacity as non essential.

Partly this tension arises because the current legitimised ways of strengthening organisational capacity involve the uptake of business practices, and these are foreign and viewed negatively by some people in the nonprofit social services. A number of interviewees, particularly those in the non-adopters, but also including some staff in the adopters, viewed the business and social approaches as mutually exclusive. Their responses aligned with the view that nonprofit and for-profits are, as highlighted by Light (2000) using the famous maxim, "fundamentally alike in all unimportant respects" (pv).

The current research results suggest that the nonprofit social service organisations need assistance to address what Letts et al (1999) point out is an ambivalence nonprofits have about strengthening themselves and a perception that organisational capacity building and program delivery are competitors in a zero struggle for limited resources. This line of thinking is emphasised by others: for instance Light (2000) points out that *how* nonprofit organisations operate is just as important as *what* they actually deliver; and Spall (2003), who

argues that innovation in the 21st century appears to be just as much about building organisational capacity as it as about service delivery. Government plays in an important role shaping the ambivalence nonprofit organisations have toward building internal capacity, as many grant arrangements demand priority is given to service delivery and prevent resources being applied internally.

The research does highlight that a balance is best struck between an internal focus on capacity building and an outward focus on service delivery. The non-adopters, and some staff in the adopters, feared a focus on internal capacity building would reduce the focus on the organisation's clients. The research suggests that there are risks that the emphasis on the clients might temporarily reduce whilst new capacity building opportunities are pursued. However, a strong connection with mission and core values, serves as a balancing mechanism that ensures organisational capacity building is value-adding to the service dimension and clients of the organisation.

It was found in an earlier study that organisational capacity is essentially about an organisation's resilience and adaptability (Struthers 2004). The concept of organisational resilience is said to represent a transformational capability so that an organisation can flourish where others are only able to cope. Applying such thinking to this research would be to suggest that the elements of organisational capacity defined in the results - structure, strategy, human and financial capital – were evidence of the organisation's adaptability to their resource environment, and their resilience to do what is required in the current context; to obtain the necessary resources to achieve their mission.

The adopters had developed organisational capacity in the elements discussed in Chapter 7, despite operating in a capacity-eroding context created through

the current government purchasing arrangements. It was the experiences of both the adopters and non-adopters that there was a lack of foresight by governments when contracting out social services, about the returns available from investing in organisational capacity building. The necessity of organisational capacity to adoption raises a number of implications that warrant reflection by government policy makers. The paradox is that these policy makers promote the diversification of nonprofit resources on one hand; but erode organisational capacity on the other through the way policy and programs are designed.

This above point was also identified by Spall and Zetlin (2004), who found a lack of integration of organisational sustainability issues within current Australian social policy parameters and social service program design. This theme is also consistent with McDonald and Marston (2001), who reinforced the importance of government investment for social and physical infrastructure, to support community development activities that allow social entrepreneurship to flourish. In instances where capacity building support was provided for the adopters, it was influential in the development of the diversified resource practices, particularly social enterprises.

Governments need to realise that the narrow focus on the purchasing of specific outputs and outcomes, with little thought for investing in the organisation that delivers those outcomes, actually limits the value-adding nonprofits can make to the social investments made by government. Governments are in a good position to directly or indirectly influence the elements of organisational capacity that influence adoption. They can do this by making finance available for investment, infrastructure, research and development, and by supporting the development of attractive working conditions in nonprofit social services that relate to both paid staff and volunteers.

The ACOSS (2005) *Community Sector Survey* revealed high staff turnover rates of just over sixteen per cent (16.3%), which is greater than the Australian industry average of between ten and twelve per cent. As pointed out in the ACOSS report, excessive turnover can be a sign of poor work conditions, it can cost organisations by having to recruit and retrain new staff, and erode the capacity of organisations to innovate and move forward in constructive ways. The report identified that the factors most important to keeping good staff include: wages; working conditions; training; good communication; and support and supervision. The ACOSS findings, combined with those from this research, suggest elements of organisational capacity need to be taken seriously if the nonprofit sector is to have a viable and sustainable future.

How organisations approach learning has been identified in the literature (Smillie & Hailey 2002) as important to building organisational capacity. Learning that supports capacity development is the product of formal processes, such as, investment in training, research and development and informal processes, such as, establishing reflective practice within an organisation. An organisation's learning capacity is inherent in the values and culture of an organisation.

Smillie and Hailey (2002) point out that, "The survival and success of any organisation operating in a turbulent environment is dependent …on its rate of learning being equal to or greater than the rate of change in its external environment"(p.70). They suggest that learning is not inherent in the roles of nonprofit organisations but must be worked at. Building a learning culture requires a shared vision, solid infrastructure, and tools and methods that promote learning within the organisation (p.89). This is an important proposition when translated to the human capital element of organisational

capacity. Government, through peak bodies, could take greater responsibility for more widely enabling sector wide learning and development opportunities that build organisational capacity.

Light (2000) points out that capacity building is expensive and time consuming and therefore not considered politically favourable. He argues in his book on *Making Nonprofits Work*, that government should play a special role in capacity building, suggesting that "Not only could they liberalize the rules on indirect costs to include the kinds of system modernization and staff development that might lead to greater effectiveness, but they also have the resources to invest in the research and linking systems that might produce an ordered agenda of reform" (p.99).

The current research supports Light's (2000) claims and his emphasis that government accountability is one area into which capacity-building ideas need to be integrated. The current research suggests reforms are needed in building an Australian nonprofit sector that enables strong organisational capacity to flourish in all small and medium nonprofits, not just a few outliers. Light wisely suggests that any investment in capacity building should have a knowledge basis to inform it, one that focuses on tangible steps to improvement.

Some interviewees in the research suggested the need for national or regional bodies that smaller organisations could link in with, to assist in reducing back-end administrative costs and free up staff for front-end tasks and innovative resource mobilisation. A regional approach to capacity building was found to work well in Pittsburgh USA where a capacity building industry has developed (Kearns 2004). Kearns outlined the key areas the industry focuses on: internal operations; improving the quality of human resources; diversifying nonprofit

resources; seeking partner organisations and forming strategic alliances. Cost effective assistance of this nature would be helpful to nonprofit social services in Australia.

In conclusion, it seems many organisations are interested in diversifying their resource practices, but they need assistance from government, businesses, peak bodies and larger nonprofits to increase their capacity in order to follow this interest. Those not interested in adopting a social enterprise or business partnerships also need capacity building assistance to run their programs more effectively and meet increased demands for services. The blurring of boundaries between the different sectors of society presents both challenges to, and opportunities for capacity building. Building capacities for adopting innovative resource practices is important to organisational sustainability and independence; and needs to occur at the organisation level as well through sector wide, system improvements. A social mission needs a solid organisation behind it and to unfold in a capacity building landscape.

14.3 The Power of Perception in Resource Mobilisation

The organisational capacity condition suggests organisations need the right organisational elements in place when adopting a social enterprise or business partnership. The self-efficacy condition suggests it is also important that people within organisations have perceptions that they can "circumvent environmental constraints, redesign and construct environments to their liking" (Bandura, 2001, p.272). There are different types of self-efficacy or agency - personal, proxy, and collective - and their role in the successful adoption of resource diversification is discussed here.

Bandura (2002) defines personal agency or self-efficacy, as being exercised individually, though it is different to individualism. For instance a strong sense of personal efficacy "is vital for success regardless of whether it is achieved individually or by group members putting their personal capabilities to the best collective use" (p.273). The way interviewees talked about tackling the establishment of a business partnership or social enterprise, captured both an individually held belief and shared perception constructed with other organisational members, that efforts could be successful. Bandura proposes that among the different mechanisms of self-efficacy, people's belief of personal efficacy is the most central.

Proxy agency is socially mediated where people try to get those who have access to resources, expertise, and power, to act on their behalf to secure the outcomes they desire. If organisations are interested in mobilising resources in an entrepreneurial fashion, then it is advantageous that they find the means to build proximity to those masterful in processes that can support adoption. Building this proximity serves to increase their own sense of confidence to tackle such tasks.

In relation to this research, it was found that the ability to develop a social enterprise or business partnership was facilitated through, for example, the executive officers and board members utilising their networks and facilitating others to act on their behalf in the adoption process. The adopters displayed high levels of efficacy in building and managing these linkages to enable innovation in resource mobilisation. Those non-adopters interested in adoption were not found to be drawing upon the proximity of useful others to advance their goals.

Collective agency relates to people's shared beliefs in their collective power to produce desired results. Bandura (2001) proposes that, "Group attainments are the product not only of the shared intentions, knowledge, and skills of its members, but also of the interactive, coordinated, and synergistic dynamics of their transactions" (p.14). A person's belief in an organisation's efficacy to mobilise resources will influence how much effort they personally put toward exploring opportunities, and how they endure in the face of difficulties or delays in producing outcomes.

Within the sample of adopter organisations, some displayed higher levels of collective agency in regards to adopting business-focused resource mobilisation practices, than other adopters. Those adopter organisations with strongest collective agency did tend to have a shared intention to seek new resources that spanned across the board, executive officer and staff. Where the collective agency was weaker for some adopters, it appeared they had a split in their internal culture regarding the acceptability of entrepreneurial practices as discussed in the consequences chapter. For example some staff were negative regarding the business-focused practices the executive officer and board were embracing. The most successful adopter organisations had made efforts to build a united culture that was interested in advancing the organisation's social mandate through entrepreneurial practice.

The presence of these three dimensions of self-efficacy discussed above meant the adopters could more masterfully work at diversifying the organisation's resource base, including negotiating suitable arrangements with both government and private sources. With the non-adopters, the lower levels of self-efficacy in relation to adopting a social enterprise and business partnership need to be considered in relation to some organisation's low interest in these activities.

The perception of how desirable and feasible it is for a nonprofit to be entrepreneurial has been found to explain and predict an organisation's intentions significantly (Malone 2001). Based on Malone's thinking there would be three critical perceptions that come into play when we consider adoption: that adopting a social enterprise or business partnership is desirable; it is supported by social norms; and it is perceived as feasible. The adopters were distinguished from the non-adopters along these three critical dimensions rather than in relation to perceptions of feasibility only. Thus assessing the impact of self-efficacy in relation to adoption is likely to be mediated by these critical perceptions.

Adopting a social enterprise or business partnership was desirable for some non-adopters, for social rather than resource related reasons. For example, adopting a social enterprise or business partnership could open up opportunities otherwise unavailable for constituents. The main reason for the non-adopters seeing both practices as undesirable was when they are constituted as resource options required because, "government is not taking adequate levels of responsibility for the burgeoning social needs in our society" (non-adopter, executive officer).

The fact that the non-adopter organisations displayed low personal proxy and collective agency in relation to business resource mobilisation does not discount possibilities that they have high self-efficacy in relation to other domains of activity. Similarly the adopters might display low self-efficacy in relation to other domains outside business-focused resource mobilisation. Leonard (2005) found variance in how agency is expressed in community service organisations in Australia. For instance, moderate to high levels of agency was expressed in relation to community development activities undertaken within or outside the

organisation and low levels of agency in relation to managerial issues external to the organisation such as dealing with government departments.

The controlled aspects of government purchaser-provider relationships can condition people to feel their environment is uncontrollable and develop perceptions of lack of control and low self-efficacy. Chapter 6 on the 'crisis in government support' condition, reports results that suggest a number of people in social services are experiencing a sense of low efficacy in mobilising responsive and sustainable resources from their environment. Kipnis and Lane (1962) did some early work in this area suggesting that low self-esteem or self-competence, within an organisational context, develops where there is a social system in which rules, procedures and controls are emphasised. Similarly, Bandura (1997) suggests layers of bureaucratic control undermines collective efficacy.

The adopter interviewees commonly referred to the uptake of a social enterprise or business partnership, as being about the development of a creative organisation where they could direct the mission and initiate new ideas. However non-adopters commonly referred to these practices as being about politics and resulting from the power imbalance that nonprofits hold in securing resources relative to business and government. Reed (1988) points out this complex situation where you have the liberating potential of human self-efficacy existing within the constraining influence of externally mediated politics and power. Reed suggests the need to consider the cyclical nature of how organisational process are shaped by action that is constrained by power; and that constraints are themselves products of particular actions taken, avoided or overlooked.

Reflecting on Reed's (1988) proposition above, we could argue that the power of human self-efficacy, in relation to adoption, needs to be placed in a context that acknowledges organisations exist in funding environments that are complex, ambiguous and paradoxical. Though the results highlight the importance of self-efficacy, they do not suggest a simple linear equation that positive perceptions of one's capabilities to adopt a social enterprise or business partnership, will automatically lead to tangible outcomes. Perceptions are enacted within a web of intricacies, and in the area of integrating business-focused resource mobilisation within socially orientated organisations this is most definitely the case. However the necessity of this condition underscores the importance of orientating cognitive elements, which appraise situations when managing a complex environment. Such elements are important in the role they play when adopting a social enterprise or business partnership.

Malone (2001) identified innovation in nonprofit entrepreneurship as a cognitive phenomenon, rather than a purely economic one. Malone found that people with high self-efficacy tackle new ways of doing things at much higher levels of success, than individuals with lower self-efficacy. If success in innovation is partly a cognitive phenomenon, how information is perceived and processed is quintessential. Krueger (2000) presented a paper on the cognitive infrastructure of opportunity emergence that suggests there is an intangible infrastructure that serves to facilitate or limit opportunities. Stevenson and Jarillo (1990) also speak of the importance of the cognitive orientation toward seeing opportunities, regardless of existing resources, in relation to engaging successfully in entrepreneurship.

It was evident in this research that some organisations clearly viewed they had limited opportunities for resource mobilisation, whereas similar organisations seemed to perceive they had many opportunities available to them. Based on

Krueger's (2000) model the perceptions of organisational members channelled through intentions, can inhibit or enhance the identification and pursuit of new opportunities. An intentions based model that defines opportunities as constructed, has been found to offer consistent robust explanatory power and predictive validity in whether organisations experience opportunities. A key question is what sort of infrastructure enables a greater orientation toward seeing opportunities and acting on them? Kruger argues that perceptions of self-efficacy are a substantial antecedent of perceived opportunity.

Krueger (2000) suggests an organisation can categorise strategic issues, such as diversification of resource mobilisation, into an opportunity or threat. When seen as an opportunity, a situation is seen as positive and controllable; when seen as a threat, the situation is perceived as negative and uncontrollable. Those with high self-efficacy perceive barriers as elements to be dealt with, when appraising a situation, and therefore are more likely to devise means to manage them.

Opportunity perceptions are said to reflect an intentional process; and whilst relevant knowledge and skills might be important in this process, the impact of that knowledge and skills on perception is even more important. This is not to discount the reality of tangible barriers and how they limit opportunity development, but Krueger (2000) has found that the subtle cognitive realm is powerful in its influence, though easily overlooked.

Ezell, Odewahn and Beadles (1993) conducted research to determine what antecedent variables influence managers' level of perceived competence in human service organisations. Perceived competence is defined as "generalised self-efficacy" or "the conviction that one can successfully carry out a range of actions" (Gist, 1987, p.479). Ezell et al found little significant difference in terms

of the antecedents influencing competence. However, age was a factor explaining differences in self-reference attitudes in terms of motivation and influence. Younger employees expressed less positive attitudes than older employees. Length of service impacted on managers' confidence scale, with longer service leading to greater confidence. Demographics such as gender, position in the organisation, education and area of expertise did not appear to significantly influence perceived competence.

Leonard (2005) found that organisational characteristics where found to be better predictors of agency in an organisation than demographics, roles, type of work, locus of control or social capital. The main point arising from her research was that context is important to people's expression of agency. It is quite likely that the self-efficacy in people within the adopter organisations was influenced not solely by individual demographics, but by the development of perceptions resulting from the context within which the individuals were operating.

In relation to this research, the personal, proxy and collective dimensions of self-efficacy are likely to have developed from a combination of people's individual skills and experiences being inclusive of a business orientation; of their being influenced by proximity to persons with competency in business practice; and the shared collective intention to innovate utilising business tools as means for social ends.

Assuming that the non-adopters are representative of many other small nonprofit social services, the research suggests people working within a large segment of the social services are not well prepared to meet the challenges of mobilising resources in the current landscape. Particularly the orientation toward seeking more diversified sources from business-focused avenues.

Building the self-efficacy of nonprofit organisational members for business-focused activity gives them greater scope and likely success, in the range of resource options they can choose to engage in. The desirability of social enterprise and business partnership is likely to increase if nonprofits have the security that government will maintain, and even increase its share of responsibility for the social problems that are reportedly growing in extent and complexity.

When an organisation holds business-focused resource mobilisation as a desirable means to diversify the options available to obtain resources for achieving organisational sustainability and mission accomplishment, a perception that one can confidently explore, manipulate, and influence the resource environment (Bandura, 2001, p.4), is likely to be necessary to achieving this goal. Nonprofits can be assisted in developing this confidence through a range of other sufficient conditions discussed in the next section.

14.4 Supporting Conditions for Business-focused Resource Mobilisation

The research distinguished four sufficient conditions that when they combine with organisational capacity and self-efficacy; result in the adoption of a social enterprise or business partnership. As the equation shows in section 12.3.2, the sufficient conditions are important to producing adoption of a social enterprise or business partnership in combination with the two other necessary causes. An organisation does not need to have the combination of all the sufficient conditions – governance, networks, crisis in government support and business thinking and skills – but at least one of them in combination with the necessary conditions, to produce adoption. Governance and networks were found stronger in their influence than the other two sufficient conditions. They are all discussed in this section beginning with governance.

14.4.1 *Building Hybrid Models of Governance*

The evidence from this research suggests that a board taking a strategic orientation that positions organisational sustainability issues as central to its work, positively influences the adoption of new forms of resource generation. This orientation was more likely to occur in organisations displaying characteristics of a corporate governance model. This involves a strong orientation toward strategic level planning where the board works out the ends sought, and leaves the details and hands-on management to executive officers their staff. The fact that the corporate governance model wasn't found necessary in all instances of where an organisation changed its resource mobilisation practices, is consistent with the literature that considers leadership as one of several factors in the process of organisational change (Pettigrew 1987, Pettigrew, Ferlie & McKee 1992).

The research showed that the adopters had moved from a community management model of governance to a corporate governance model. Some organisations had decided to make this change as part of professionalising the organisation and then were able to attract businesspeople that were more familiar operating within a corporate style of governance. Others changed the model as a result of having businesspeople on the board. Mostly though, it required the sustained interest and effort of the board working in partnership with the executive officer to bring about change in the organisation's governance model. A separate, though related governance feature that supported adoption, was the mix within the board membership. This issue will be discussed further below after we discuss governance model.

Alexander et al (1998) suggests the adoption of a corporate governance model that stresses strategy development risk-taking, and competitive positioning, occurs in response to financial and competitive pressures. This could relate to our finding that many of the adopters had experienced a crisis in the support received from government. Alexander et al also argue how the availability of time, talent, money and opportunity are important in adopting a corporate governance model. Their finding aligns with the result that organisational capacity is a foundational element in organisational performance.

It is important to qualify the term corporate governance to overcome some of the mythology that could result in highlighting the effectiveness of this model in producing resource outcomes for nonprofit organisations. In essence, you could say that the adopters were more likely to have a board that was focused on managing its fiduciary responsibilities and its resource related and mission directed goals; rather than being focused on operational detail. The corporate governance model label is currently used in the nonprofit literature in order to make a governance-management distinction: corporate boards tend to leave management details to the chief executive officer and their staff, while they focus on setting direction and assuring performance. It is problematic that the usage of this term can lead to stereotypical assumptions that nonprofits need to become like for-profits, which is often not being implied and certainly is not the contention in this research.

Pryor (1994) thought it ironic that the use of the corporate model in nonprofits is increasing at a time when the for-profit world is under scrutiny for the problems associated with its governance. However many governance problems do not arise purely because of features related to the model, but rest in the skills and motives of the directors. It is also important to acknowledge the power of context in shaping action, and that tools from the corporate world do not have

to take on the same meaning and expression in a context that is oriented toward achieving social outcomes and overriding opportunities for personal gain.

Some of the non-adopter interviewees voiced their concerns about the potential instrumental changes that could arise from governing with a more hands-off approach, characteristic of a corporate governance model. For instance, they expressed a keen interest to protect the values of the community management model, particularly its emphasis on providing opportunities for constituents and ordinary citizens to be empowered through participation in nonprofit governance. They identified benefits – arguably non-resource related – of having a hands-on approach and involvement in the operational details of an organisation. Some benefits related to the board members, such as, being able to make better decisions when connected intimately with service delivery functions. Other benefits relate to management and staff, such as, when board members with social service professional expertise can help guide interventions provided by staff.

The research results suggest that nonprofits can benefit by consciously designing and seeking a diverse membership mix for the board. Just as important to getting the right collection of skills is ensuring board members are committed and have altruistic values. The effect of membership is different to the impact of the governance model, for instance, you could theoretically have a corporate governance board made up of parents of the organisation's constituents and no businesspeople. However this research suggests hybrid board membership, made up of a mix of skills and backgrounds, is most effective for adoption of social enterprise and business partnerships.

Whilst the results underpin the value of business skills in successfully shaping these practices, there needs to be safeguards in place to ensure that the board

doesn't get too top heavy with such skills and loses its socially based skills and expertise; or that it becomes populated only with professionals and excludes a seat at the table for constituents and citizens. The research suggests that making conscious changes to board membership and its method of working requires substantial time.

Smaller organisations, particularly those in more rural locations, do face challenges in attracting the right mix of board members for business-focused resource mobilisation. However organisations should not assume that skilled people prefer to engage with larger, more bureaucratic nonprofit organisations. Smaller nonprofits, if run well, can be a more attractive option to potential board members who are seeking to be intimately involved in achieving social mission and making a difference. To attract and maintain a diverse mix of members requires the board embracing a combination of formal processes such as in the selection of board members, management of meetings and performance review, whilst also including informal processes that allow for warm, friendly, expressive exchanges.

In all the adopter organisations, governance was well integrated between the board and executive. There tended to be a strong executive officer that had a major influence on developing the governance model so it was appropriate for the size and structure of the organisation. An organisation's executive officer has been found empirically to exert enormous influence on the effectiveness of an organisation and the functioning of a board (Herman & Tulipana 1989). The executives in the adopters appeared to be implementing similar strategies to those identified by Herman and Heimovics (1994) as constituting effective executive leadership. These are: acceptance of the centrality of their role in the organisation; board-centred leadership; strong coalition building beyond the internal organisation; and management of the political environment in which

they exist. In the adopters the executive officer tended to be highly involved in establishing the organisation's entrepreneurial directions. Young (1987) has previously identified entrepreneurship as a key function of the nonprofit executive.

The challenge for nonprofit social service organisations is to develop governance models that assure the long-term strategic interests of organisations are met, whilst offering wide-ranging expertise, participatory opportunity and maintenance of social values. There is a tension raised in the literature between a community management model with values of responsiveness to local needs, flexibility and local input and the development of corporate governance models (Darcy 2002). There is no need for the beneficial characteristics found in the two types of models, to be mutually exclusive, and unable to be shaped into a hybrid model of governance. This could be achieved by integrating diverse skill sets within the membership of the board, whilst ensuring socially based ideology and values are maintained.

Nonprofit organisations increasingly have to survive in a market environment, even if they remain government grant dependent. This potential clashing of nonprofit and for-profit culture creates opportunities for innovation. In order for a larger proportion of nonprofit boards in smaller organisations to increase their capacities to handle more complex governance responsibilities they are likely to need assistance. Some nonprofits are establishing themselves with the sole purpose of supporting organisations to build strong governance. The research suggests such agencies could be important in assisting organisations to be able to adopt business-focused resource options. The research also identified the power of networks in enhancing organisational governance capability. Enhanced networks also often arise as a corollary of the business partnership or

social enterprise adoption process. The next section discusses the network condition.

14.4.2 *Expanding Nonprofit Networks*

The research supports the directions of the theoretical network literature presented in Section 3.7, where the likely importance of networks to the adoption of a business partnership or social enterprise was emphasised. Networks with business stakeholders have been found to be both a precondition of adoption and to be enhanced as a result of adoption. Nonprofit organisations interested in diversifying their resource base need to move beyond their own organisational field and find means to build networks with the business sector. There is no doubting the challenges of doing this, as the two organisational types exist largely independently of each other. Nonprofits prioritise scant resources to social service delivery and business on ensuring efforts maximise generating a profit.

Opportunities open up through the presence of businesspeople on the board or board members with linkages to the business sector. This serves as a powerful means to build strong ties within the business field, and create a bridge across which knowledge required for developing a social enterprise or business partnership can be transferred. This transfer of expertise supports the network tie ideas presented by Rindfleisch and Moorman (2001) in Section 3.7.

A premise of the network approach offered by Nohria (1992) is that attitudes and behaviours are influenced by people's positions in social networks. In alignment with social capital theory, if strong ties among nonprofit actors fall exclusively within the nonprofit sector, then they could easily exert a normative pressure that sustains a perception that business is different and best left alone

or avoided. This type of attitude appears to confine resource seeking behaviour to within the government grant domain only. The research has shown that networks with businesses not only provide nonprofits with an opportunity to diversifying the resource base, but also hold the power to change the way businesspeople think and operate.

Expanding networks beyond one's own organisational field does mean encountering differences and possible tensions in philosophy, culture and ensuing practices such as pace of decision-making. In order that the forging of boundary-spanning business networks be successful, it seems that organisations need to acquire a certain level of business knowledge and skill, to guide how they might maximise their time invested in networking with business. There is also a need when spanning into a new context to adjust perceptions and behaviours. This holds true for social sector actors approaching working with business as it does for businesspeople taking steps to work within the social sector. An essential orientation is that building networks is viewed as building relationships, not technical points of contact. As with developing and maintaining any relationship, efforts to understand and work within the needs and motivations of the other helps build closeness and trust.

A defining issue which influences what type of networks nonprofits build relates to the emphasis they place on a focus on community stakeholders able to assist in program delivery or stakeholders able to help sustain their organisation so it can better deliver program over the long-term. The adopters extended their networks toward those that facilitated risk orientated resource strategies, such as social enterprise and business partnership, in an attempt to build sustainability by seeking resource maximisation and diversification. The non-adopters tended to focus on the interests of their constituents more than

the functional aspects of the organisation and therefore built and maintained networks predominantly with other social service stakeholders.

There are a number of tangible barriers that prevent connections between smaller social service organisations and businesses (particularly large resource rich ones) developing. One barrier concerns the geographically discrete regions that many smaller nonprofit organisations operate within. Some regions might not have the presence of any large businesses to network with, or the appeal of nationally, or internationally focused business to invest their resources in. Another significant barrier concerns the capacity of nonprofits to put time and energy to networking activity.

Government contracts have shaped a view that even networking with other nonprofits is a secondary priority in contrast to directly working with constituents. They have prioritised paying for direct service delivery outputs and baulked at investing in relationship building activities. Some government programs have begun to acknowledge and value investments made in networking. This is because networking serves to build better coordination and collaboration can improve service delivery. However government support for networking has not extended to networking activities that build organisational sustainability.

Business networks can provide an opportunity to observe business-orientated people engaged in entrepreneurial tasks, and this can assist in building the self-efficacy of organisational members. Building this self-efficacy is critical to the successful adoption of a social enterprise and business partnership. Brunham (2002) suggests nonprofit leaders need an ability to develop partnerships and alliances to support entrepreneurial practices. The research shows that

networking opportunities fall on the prepared and new network opportunities snowball from strengthening and diversifying existing ties.

Further support needs to be built into the nonprofit sector for collaborations that help build sustainability through diversification of resource mobilisation, for instance by investing resources in the organisational arrangements conducive to creating networks with business. The provision of support for developing corporate governance models and hybrid board membership appropriate for nonprofits could position organisations to be better able to build networks with business. Assistance in marketing the profile of an organisation also appears to be important to business network development and is another area in which nonprofits could receive support. The usefulness of integrating skills and thinking from the business world is addressed in the next section.

14.4.3 *Integrating Practices and Principles from the Business World*

There is a growing theme that nonprofit organisations will be unable to achieve sustainability in the 21st century, without aligning with modern strategic business practices. Nonprofit social services in Australia and internationally have been experiencing fundamental change with the growth of corporate and managerial principles and practices. The types of business practice being promoted for inclusion in nonprofits encompass the following: adopting a marketing orientation; use of business planning; strategic management; change management; inter-organisational relationship management; accountability; and performance and quality management.

A number of authors have raised the merits of introducing business principles and practices into nonprofit organisations. Gainer and Padanyi (2002) found

that a market-orientation in cultural organisations "not only predicted a growth in resources and higher level of customer satisfaction, but also a growth in reputation among peers" (p.182). Bradley, Jansen and Silverman (2003) suggest that there is the promise that by emulating practices from the business world an organisation can have a far greater impact on the problems they address. Bush (1992) refers to the mounting pressure "to adopt business sector attitudes, utilize private sector management practices, and adopt the concept of running the nonprofit as a business" (p.395).

The push to build business capabilities into organisational culture of smaller nonprofits is likely to grow, as nonprofits "remain under pressure to become more businesslike and entrepreneurial" (Light, 2000, p.77). Similar to findings in this research, Dees (1998) has noted a "pro-business zeitgeist" being adopted in nonprofits due to the frustration and fatigue with grant dependencies and a drive to control their own destiny (p.77).

Gainer and Padanyi (2002) suggest business thinking can be observed as consisting of two distinct though causally related components, these are business-focused activities and business-focused culture. This research shows that access to business thinking and skills in a nonprofit organisation supports the development of business-focused activities and a business-focused culture that seeks out innovative resource practices.

Those organisations adopting a social enterprise or business partnership reported being energised and excited by the new horizons toward which an entrepreneurial culture can move the organisation, despite the challenges such an approach requires. Of particular interest was how being competent in business thinking could help turn around the restrictions in the purchaser-provider relationship. For instance, it allowed people to confidently advocate

for opportunities within their government funding to improve their resource situation, such as, by acquiring capital that could be used to turn a profit through an enterprise. It does appear that creative potential can emerge through the cross fertilisation of ideas between the business and social sectors. Business thinking meant the adopters were more likely to spot resource mobilisation opportunities that others without those skills missed.

Whilst this research supports the logic that business thinking and skills can lead to new resource possibilities, it identified some risks that warrant a moderately cautious approach to legitimising such an orientation as good practice. Some of the adopters reported swinging too heavily towards integrating business thinking into the governance of the organisation at the expense of displacing their expertise in relation to their social mission. Adopters gave examples of losing their focus on some key programs, resulting in negative outcomes for constituents due to the over dominance of people with business backgrounds, and their flurry to successfully create new resource streams. Inglis and Minahan (2005) found that being focused on introducing business practices into nonprofits could distract managers from their core tasks. However they were looking at the use of business practices that were not being directly applied to yielding a business-focused outcome, unlike a social enterprise or business partnership.

A proportion of the literature on this topic argues the inappropriateness of importing business thinking and skills from the for-profit world, in an attempt to solve all nonprofit organisational problems. Inglis and Minahan (2005) reported negative outcomes arising from introducing strategic planning in nonprofit organisations. Specifically, they identified that the practice is complex, conflict-ridden, and largely unsuccessful in achieving proposed benefits and can take an organisation backwards not forwards as it plans to do.

Briskman and Muetzelfeldt (2003) express concern that market approaches to resource mobilisation might ensure resources are harnessed and managed efficiently, but unless mixed with a social values orientation, they could overlook prioritising social justice criteria applied to resource management. The values orientation is a threshold issue in introducing business thinking and skills. Business-orientated values can orient an organisation toward an instrumental value set that prioritises efficiency and effectiveness. Even a business focus on customer satisfaction is for instrumental reasons. This is in contrast to expressive values (Mason 1996, Steane 1997) such as valuing the participation and empowerment of constituents and citizens in the delivery of a service.

It seems that integrating business thinking and skills into an organisation is developmental in nature. Introducing business thinking and skills was found in a number of the adopters to initially result in culture clashes between where the skills where located (the board and executive officer) and the socially focused service delivery staff. This tension was reported in Chapter 13 in the discussion on consequences of adoption. It seems that when the adaptation process settles, many organisations that adopt business thinking and skills end up developing effective strategies that can yield new resources to achieve social goals. Such an outcome can result in cutting through the resource barriers populating the purchaser-provider dominated landscape. The presence of tangible outcomes helps formulate a stronger acceptance and integration of the place of business thinking and skills within an organisation.

Despite the inherent tensions in integrating business thinking and skills into an organisation, this research suggests that with the presence of organisational capacity and self-efficacy, this condition can yield tangible resource

mobilisation outcomes. There is a range of implications for those wishing to increase social enterprise and business partnership development in the nonprofit sector. Firstly, attention needs to be given regarding how smaller nonprofits can develop business practice capacity and it is likely that all sectors have a role to play in providing this support. Secondly, there needs to be further research on the most appropriate context for utilising different business practices and principles that guide usage that ensures the maintenance of social values.

The findings associated with this condition support the general theme of the research that creative opportunities await in integrating approaches from the business and social sectors, though there are risks to be managed. Government has a key role in enabling nonprofits to integrate the necessary tools required by organisations that they can explore new horizons to better serve their mission. The contradictory involvement of government in the provision of support to nonprofits is discussed next.

14.4.4 *Government Support: A Contradictory Dilemma*

The research provides evidence of a government-contracting crisis being experienced by Australian social service nonprofits. The crisis has not only fiscal dimensions but also impacts upon organisation's ability to innovate at the level of service delivery. It also impacts on the freedom to advocate on behalf of their constituency and presents challenges to capacity building. A crisis in government support was found to be impacting on all organisations in the study, though as outlined in the results, the adopters were responding to the crisis in different ways to the non-adopters.

The adopters had more closely walked on the razor's edge of crisis and were actively seeking strategies to achieve sustainability, whereas many of the non-adopters still saw government as their rightful protectorate. Spall and Zetlin (2004) suggest it is common for grant dependent organisations to be lulled into a false sense of security regarding their sustainability, they point out that:

> Perhaps it is assumed that community service organisations don't really have to think about sustainability because government will always be there as a protectorate. Or maybe because the sector hasn't really had a crisis of confidence yet, unlike many industries in the private sector such as the petroleum and mining industries that have been forced to rapidly embrace sustainability (p.284).

Ironically, both adopter and non-adopter interviewees similarly noted the 21st century reality of government contracting as one with higher levels of professionalism, prescribed purchasing, accreditation and accountability. Though interviewees reported some positives with these features, they overall strip, not build, organisational sustainability. This trend has been formally noted in Australia (Lyons 1994b, 1997a, 1998b) and other countries such as Canada (Struthers 2004); the UK (Osborne 1997b) and the USA (Salamon & Anheier 1996) and was discussed in Chapter 2.

Spall and Zetlin (2004) conducted Australian research in the social services sector that revealed a high degree of organisation fragility in many nonprofit disability organisations as they strive for sustainability. The most reported variable exerting pressure was government policy and priority. The change toward greater formality in government contracts arose as part of the development of managerialism, which began developing in Australia during the 1980s and 1990s (Lyons 1998b).

Managerialism comprised four fundamental aspects articulated by Considine (1988): an emphasis on outputs; politically developed policy that is bureaucratically administered; greater coordination, consistency and regularity of policy across government; and structured control of activities into "clearly identified and endorsed objectives" (Lyons, 1998b, p.419). The introduction of these aspects into the nonprofit sector did not actively work toward building organisational sustainability.

Struthers (2004) reviewed Canadian literature that identified a funding crisis in the voluntary sector as governments downsized and moved away from contractual partnerships. Characteristically, funding has become less stable, more difficult to obtain and more short-term. Organisations increasingly need to rely on diverse funding to provide programs that may have previously been funded by government. Reports from the USA identify the growth in managerialism and restrictiveness of the changes. For instance Light (2000) found that:

> Missing from the contemporary conversation about outcomes measurement is any mention of waivers from the traditional rules that funders impose on their grantees. Even as funders ask for more attention to outcomes, they do so without loosening the reporting requirements and financial disclosures. Grantees are asked to focus on outcomes by producing even more paperwork. It is one thing to talk about the need for liberation, and another to liberate nonprofits organisation from the rules that scientific management has produced over the years (p.77).

The drive to be more independent and self-sufficient expressed in the adoption of business partnership and social enterprise, was a response to the frustration of delivering services within rigid purchaser-provider frameworks. These frameworks have been devised by bureaucracy in response to politicians' need

for greater control and accountability, without adequate consideration of their impact on the capacity of organisations to serve citizens. It is often an organisation's calling to respond more effectively to their vision and mission than government contracts allow and that sparks the push toward resource innovations.

The research identified that some funding arrangements were far more conducive to enabling the development of a range of innovative service strategies and resource practices. One particular Federal Government program managed by an adopter substantially assisted the nonprofit's social enterprise during its development. The program was designed to support holistic outcomes for young people, such as working on issues of homelessness and at the same time as addressing employment, education and training. It had flexible brokerage funding that could be directed to the development of the social enterprise because it incorporated providing employment and training for homeless young people into the enterprise, and therefore was aligned with the program objectives. The flexibility allowed a win-win situation to result where the outcomes for the government program were enhanced; the organisation was able to advance its mission; and the organisation was able to obtain a significant amount of additional resources. The above example was a unique outcome contrary to most government program parameters that tend to restrict the development of new resource opportunities.

Given the constraints and restrictions that governments have placed on organisations, it appears that true sustainability, even involving diversification of resources, is hard to achieve unless governments - state and federal of both persuasions - are prepared to sit down and think outside the square as to how they can develop flexible funding models that support resource diversification and sustainability. Building a system that enables experimentation with social

enterprises and business partnerships should not imply state withdrawal from services in the expectation that the market could support distribution.

Government contracting reforms need to tackle a number of elements including the political, fiscal and accountability needs of government; the sustainability needs of nonprofit organisations; the involvement of the business sector in social responsibility; and most importantly social justice for people being served by nonprofit social services. The current arrangements appear to be operating more as a zero sum game rather than a win-win situation for all concerned. Whilst there are diverse interests to be bridged, creative problem solving and the visioning of new possibilities which join people around shared needs of social servicing would enable such solutions to be in reach.

Both adopter and non-adopters envisioned possibilities for greater cooperation and partnership between the nonprofit sector and government. In this new approach, government would be true to the role of enabler, supporting effective and efficient services, but in a way which allow the providers to have greater ownership in the delivery process. Taking an enabling approach would support services being flexibly delivered and involve contracting systems, which resulted in building rather than stripping organisational capacity. It could also incorporate 360-degree accountability mechanisms and provide a balance where nonprofit organisations could synonymously strive for some level of independence from government, whilst at the same time running government programs.

On the last point above, Osborne and Flynn (1997) suggest government support is important in enabling social service agencies to innovate, by providing comparative security that allows an organisation room to try new things and take risks in other areas. The intent of government for encouraging social

enterprise and business partnership development through policy formulation is also important.

Attention to government accountability models is another area where great advances could be made upon nonprofit capacity for innovation. Current models provide little in the way of accounting for a nonprofit's own contribution through in-kind resources or income from other sources, relative to government purchased outcomes. Current models very rarely ensure accountability to constituents or place accountabilities upon government for their role in the creation of social value. Interviewees talked about the need for social auditing to be introduced into Australia as a way of assisting governments with measuring the social value that they purchase and create.

Barraket (2001) presents some ideas about the approach government should take in Australia to develop a new public policy agenda in the social services which supports social enterprise development and which could also apply to business partnerships. The key themes she emphasises are: context matters; engagement of the sector is paramount; enterprise practices should not be a replacement for public investment or public policy; and government should enable but not force these types of practices.

Applying this thinking to the current research would be to suggest that the capacity eroding context within which the Australian nonprofit social services have been operating needs consideration in the design of any new policy. Government needs to take responsibility for the fact that the political and regulative climate in which nonprofits seek to mobilise and use resources is not as supportive as the expectations placed on the sector would indicate (Fox & Schearer 1997).

Unhelpful and restrictive approaches need to be overthrown, so that government isn't holding back the nonprofit social services from actualising the creative social policy insights they are known to generate. Policy needs to remove any barriers to diversifying nonprofit organisations' resource base and allow the building of working cash reserves and capital funds. In combination with the structural shifts, there would need to be support to assist nonprofits to make the philosophical and practical shift toward integrating entrepreneurial practices in a way that maintains expressive social values. The development of a new way forward needs to be designed in *real partnership* with nonprofits.

There is a lot of scepticism about whether true partnership is possible and Lyons (1997a) points out that the evidence indicates partnership in the truest sense isn't being achieved, except in a few jurisdictions around Australia. He suggests a lack of respect for nonprofit social services, and the government view that they are mostly amateurish with little management sophistication, undermines partnership possibilities. Government concerns of this sort emphasise the need for investment in capacity building, particularly in smaller nonprofit organisations so that they can match business and government in sophistication of their administrative and management levels. Any policy development needs to carefully consider the consequences of nonprofits adopting social enterprise and business partnership and maximise the positives and minimise the negatives. The balance between these is discussed in the next chapter.

In conclusion, whilst the current restrictions in government policy and practice drive organisations to seek alternative resource options, new frameworks could be developed that *enable* innovative resource mobilisation in a larger proportion of the nonprofit sector. This would be much more preferable to continuing with current arrangements that create a context where social enterprise and

business partnerships only seem to occur in a few outliers. Adoption is occurring in a small proportion of nonprofits despite the barriers laid by government, but support is required or else it remains a distant possibility for the majority of smaller nonprofit organisations.

14.5 Applicability of Previous Organisational Research

This thesis presented a number of organisational theories and research perspectives in Chapter 3 as offering possible explanations as to why some nonprofit organisations adopt a social enterprise or business partnership. The findings from the research provide support for the importance of governance and network theories. In relation to the innovation literature, there were a number of findings highlighted in that body of literature as potentially important for organisations in an innovation process. The literature identified the likely importance of organisational capacity, individual self-efficacy, entrepreneurialism, networks, and governance, which were confirmed by this research. The literature on organisational stage of development was also pertinent, as discussed above in section 14.2 on organisational capacity. In relation to the three more formal theories - resource mobilisation theory, resource dependency theory and institutional theory - it appears that this research has greatest alignment with resource mobilisation theory and resource dependency theory, and there is less support for the relevance of institutional theory.

The alignment with resource mobilisation theory rests on its reinforcement of the importance of networks, governance, organisational arrangements (such as organisational capacity) and access to entrepreneurial skills, (such as business thinking and skills), when engaging with resourceful opportunities. The theory also suggests new forms of mobilisation are likely to occur, as a function of

urgent necessity and opportunity (Fireman & Gamson 1979), as appeared to be the case for the adopters.

Resource mobilisation theory claims that opportunities are cognitively perceived. Therefore where there are perceptions of likely failure in mobilising resources, the necessity for action tends to decrease. This research similarly places an emphasis on the importance of cognitive infrastructure by specifying the necessity of self-efficacy and for example, identifying that the lower self-efficacy of the non-adopters reduces efforts to trial new innovations.

Resource dependency theory as explained in section 3.6 is concerned with how available resources and an organisation's claim on them, shape the interdependency and relationships they have with various agents. Resource dependency theory suggests that for an organisation to reduce dependency on a single resource, it needs to diversify its resource base by developing a wider range of linkages and influences. Diversification and inter-organisational linkages are espoused to reduce resource dependency, enhance power and advance organisational goals. These effects were found to hold true in the case in the adopters. Also in accordance with resource dependency theory, were the results that showed adopting new resource practices are facilitated when the supply of resources is under risk and the frustrations associated with being dominated by one funding source are high (in this case, government).

It was predicted from the theory that the adopters would be motivated to decrease their reliance on a single critical exchange with government, which was found to be the case. It was also predicted that adopting a social enterprise or business partnership could be seen as a quest for discretion and autonomy in resource management, which was supported by the research. Finally, the results show affiliation with the theory in relation to the proposition that an

organisation will do what it needs to do to secure resources in their niche. It also aligns with the proposition that an organisation will take on a certain character or style in association with where resources are sourced. The adopters' focus on seeking resources from business meant they were more likely to be business-like and focus on output controls, such as the profile and marketing of the organisation. Alternatively, non-adopters that were largely reliant on government were more focused on conformity to rules and government preferences.

Institutional theory was not highly supported as a framework for understanding adoption of social enterprises and business partnerships as these practices were not found to be tactics primarily to legitimise the organisation's position. Many of the non-adopters talked about the sector-wide growth in legitimacy of business-focused resource practices, but that orientation is not what led organisations toward adoption. There was also no sense of following the legitimised larger national charities in how they approached social enterprise or business partnership development. In fact, many organisations were making conscious efforts to take a very different orientation to the approach adopted by these larger organisations. Institutional theory predicts that an organisation may appear to outsiders to be acting in a pragmatic way, whilst the underlying driver is to gain acceptance. The results suggest the opposite trend where the underlying driver was pragmatics whilst on the outside, organisations marketed themselves as taking steps to be innovative and acceptable within the contemporary context.

Following the line of institutional theory, it was also predicted that those not engaging in business-focused activities could become defined as 'deviant' or non-innovative, and that they could lose their accessibility to financial resources from government. However, there were mixed results in relation to this

legitimacy dynamic, with some adopters increasing their legitimacy in the eyes of government following adoption, whilst others ended up with a lowered interest taken by government to support them.

The research results are not aligned with Dart (2004), who found that the development of social enterprise in nonprofits does not yield material benefits. Dart used his finding to argue the validity of an institutional theory to social enterprise adoption. In contrast to an institutional perspective, this thesis shows that social enterprises and business partnerships can constitute productive strategies that bring significant and varied resources into an organisation and tangibly strengthen its bottom line.

Growth in the adoption of social enterprise and business partnership appear to have coincided with a push toward government downsizing and relative instability in the resource environment. This environmental pressure is creating a strong orientation toward differentiation in how organisations are mobilising resources, rather than homogenisation. The research does support institutional theory in relation to such premises presented by Fombrun (1986), that in unstable environments it may be difficult to maintain institutionalised forms and organisations may face crisis conditions that require adaptation and change in institutional structure.

There is also alignment with Leiter's (2005) finding that environmental pressure exerts mimetic influences in the nonprofit environment, in the direction of organisations differentiating rather than becoming the same. Leiter found a high degree of heterogeneity in nonprofit organisations, suggesting that responses to environmental pressure can be in the direction of differentiation rather homogenisation. Drawing on other studies, Leiter suggests that the reason for large differentiation "ranges from heterogeneity in contexts,

orientation, or personnel to various forms of failure to comply with institutional expectations, some reflecting greater purposefulness or resistance than others" (p.7).

Heterogeneity in nonprofit boards is much higher than in for-profits and is said to slow or prevent nonprofit sameness (Steane & Christie 2001), and is possibly a reason why there is greater variation in nonprofit practices. The limited diversification of resource mobilisation strategies in the nonprofit social service field, probably suggests that the one area that isomorphism exists is in the area of resource dependency on government: a proposition found true in Leiter's research. The next section balances out the competing messages about the move toward diversifying the resource base of nonprofit social services organisations through business-focused practices; and considers whether these new ways of mobilising resources are ultimately value-adding.

14.6 Resource Diversification in the Balance

On balance, the research proposes that smaller nonprofits have much to gain from adopting a social enterprise or business partnership, including the tangible benefit of increased fiscal and non-fiscal resource flows. Adoption results in a number of positive consequences such as: increased organisational capacity; room to innovate in service delivery; scope to tackle advocacy functions currently less favourable to governments; and greater confidence in negotiating suitable grant arrangements with government. However, the research in no way suggests that adoption of business-focused resource practices displaces the need for government funding to meet social needs within the community.

There are tensions to be managed however, particularly in developing a composite culture that merges a new set of enterprising values, with socially focused values. There is also the challenge of getting the balance right between an internal focus on organisational sustainability and the external focus on service delivery. Goerke (2003) argues managers developing business-focused resource diversification need to be able to make sure social and business functions remain integrated and aligned with the mission and goals of the organisation.

The literature highlights the possible tensions, some authors arguing for the preservation of the nonprofit culture and the dangers when engaging with business (Mason 1992). Mason promotes the assumption that nonprofits typically have values, ethics and a civil focus that are important to preserve. Fowler (1997) used the analogy of tectonic plates colliding to describe the overlapping of business principles with nonprofit practices, which could result in a potentially unstable landscape. Fowler proposed that some negative by-products of efforts to achieve market position of social causes could include: overstating achievements; distorting information or images of issues and constituencies in order to attract funding; and developing a culture that hides shortcomings even though these are a source of learning. Others add that nonprofits need to gain business type strategic skills if these organisations and their core values are to survive (Higuera 1996, Young 1983). This is extended further with some suggesting that both businesses and nonprofits have a lot to learn from working together (Sagawa & Segal 2000).

There is the need to ensure the needs and expressions of citizens are accommodated in developing hybrid models of operating, by including participatory structures within governance models, and social justice and social change elements in enterprise and business partnership developments. Mission

drift is another concerning consequence of adopting entrepreneurial practices, though this wasn't found to be the case in the adopters and ironically might more likely occur from obtaining government grants. Anchoring the line of sight on the organisation's mission and constituents is a good way of inoculating against the risks of becoming overly rational and instrumental, as a corollary of adopting business-focused resource practices.

It might be prudent for organisations to periodically conduct external reviews of their entrepreneurial practices, which integrate constituent views of how the organisation is serving its mission. If such practices are going to be more widely adopted perhaps peak bodies could assist in developing a code of ethics in this area, to protect the moral integrity of those working within and being served by nonprofit organisations. Such a code might include overarching procedures and principles to guide resource mobilisation including: how constituents are treated; how relationships between people at different levels of the organisation are conducted; guiding principles for engaging in relationships with funding agents; criteria for allocation of funds and altering mission direction; and the ethics of promoting and marketing of the organisation and its constituents. Nonprofit educators could more thoroughly start integrating discussion of these issues into curriculum.

The next chapter concludes the thesis with a discussion of the limitations of the research, possible future research directions and the broader sector implications of nonprofits adopting entrepreneurial practices.

CHAPTER 15 CONCLUSION

15.1 Overview

Nonprofit organisations are an important component of a democratic society; their health is a good indicator of society valuing the common good. The creative achievement of social mission by nonprofits could be strengthed if they were better equipped to handle the complex environment they face, in mobilising resources for their work. This need to strengthen particularly applies to smaller nonprofits if they are to maintain their place as valuable deliverers of social services and not fade away in the shadows of national charities.

This chapter provides concluding remarks on the thesis by exploring the limitations of the research, reflecting on logical next steps to continue this research agenda, and finally providing broader reflections on the resource mobilisation directions of nonprofit social service organisations.

15.2 Research Limitations

The research limitations were briefly highlighted in the introduction in Chapter 1, the main point being the limited generalisability of an inductive case study methodology with a moderately small sample frame. The criticisms of the case study methodology have been diverse, ranging from attacking it as an unreliable research technique, to criticising it more broadly because it is seen as relying heavily on context specific qualitative data.

The notion that a greater number of organisations surveyed, (though often in less depth), produces more robust results needs to be balanced alongside the

capacity to understand in-depth, the casual mechanisms operating in a context rich situation. As pointed out by Ragin (1999) "as the number of cases increases, so does the difficultly of knowing cases well, making it impossible to become familiar enough with each case to make sound judgements about causally relevant features" (p.1226). The inductive methodology used was necessary because of the lack of empirically based understanding of the phenomena. However a deductive methodology can now compliment the current inductive approach, and is proposed in the following section as a logical next research step.

Generating context specific data in this research was important to advance our current level of understanding of this topic. The context rich data, though generated from a small sample, produced reliable patterns within the adopters that were different to the patterns that emerged within the non-adopters. Integrating case comparisons within the methodology helped in providing a level of confidence in the results. The use of *a priori* concepts from the empirical literature, to guide case study investigations was another means to enhance the structure of the case study methodology and the wider applicability of results. Most pro-case study academics are strong advocates for making empirical improvements to the methodology so that it is a more reliable tool and leads to greater generalisation of results. This research provides a positive example of how the methodology can be strengthened.

The limitation still remains that the fourteen cases studied comprised a small non-randomly selected sample, even though they did represent a cross section of nonprofit social service organisations with diverse missions. The fact that there was a high degree of congruence in the conditions identified between the cases, specifically with the importance of the organisational capacity and self-efficacy, makes it likely that these conditions would be important in a wider

population of small and medium social service nonprofit organisations. The international literature supports the relevance of organisational capacity and self-efficacy to innovation and it is possible that the research model here has relevance to nonprofit social service organisations in other countries, particularly within common law democracies. However, both the above propositions need to be tested further.

Another research limitation is that there may be some variation in the possible combinations of conditions that might support adoption across different classes of nonprofit organisations. The model generated in this research may need to be modified if being applied to other fields of nonprofit organisations. Entertainment and arts organisations in Australia already operate in a strongly commercialised environment, drawing a large percentage of revenue from fundraising, corporate sponsorship, fees and charges. The question also remains of the applicability to member serving nonprofits, such as sport and recreation organisations. Like the arts and entertainment organisations they draw substantial revenue from sales (to members of the wider public), so introducing a new business-focused method would not be as revolutionary, but the factors that determine if an organisation is likely to embrace change may be very applicable. Different types of nonprofit organisations do operate in very different contexts, and so it needs to be tested whether the same variables might apply when introducing a new enterprise or business partnership to other types of small to medium nonprofit organisations.

The research conditions reported in the results should mainly be interpreted in relation to small and medium organisations, even though they may be important in larger organisations. The organisational studies literature does suggest there is a high degree of variance between organisational processes in larger versus smaller organisations. The *Giving Australia* (Commonwealth of

Australia 2005) research tells us that larger nonprofit social service organisations are more likely to attract the interest of potential business partners than smaller organisations, and they are more likely to have the capacity to adopt a social enterprise. The same research tells us that geography also plays a role with regional businesses more willing to support local organisations and resource mobilisation opportunities being greater in major cities and in particular jurisdictions. The current research included a range of location types and states and territories that strengthens its applicability to the wider population of nonprofit social service organisations across Australia. However the research did not analyse differences of emphasis in the casual conditions because of geographical location.

The final research limitation to be noted relates to the use of the Qualitative Comparative Analysis technique. Some critics would argue that the logic of the comparative method is dubious against the strengths of a statistical variable-oriented research approach, particularly as the former method can produce explanations that account for every instance of a phenomenon, whilst the later approach searches only for necessary conditions that always lead to an outcome across large numbers of cases. However the technique appeared highly suitable to this research topic because of the causal complexity behind adoption and the non-exclusive relationship between the identified conditions. Qualitative Comparative Analysis was able to incorporate the challenge of casual complexity by building a model that allowed for different combinations of causal conditions, which are sufficient to produce adoption.

There was a limitation with how this research applied Ragin's technique which related to how the cases where chosen. Ragin (1999) recommends that to systematically assess sufficiency "the researcher must select on instances of the causal condition (or on instance of the relevant combination of causal

conditions) not on instances of an outcome" (pp.1226-1227). This would have meant that the adopter cases would need to have been chosen because of the presence or absence of the identified causal conditions such as, in this case, networks with business, the governance model, business thinking and skills, self-efficacy of organisational members and organisational capacity. This implies that the knowledge of the possible causal conditions is adequately formulated before case selection proceeds, which was not practical in this research. However the next section will discuss how this could be tackled in future research.

15.3 Future Research Directions

Following on from the previous section, future research could consider further Qualitative Comparative Analysis work where cases are chosen on the presence of a combination of the causal conditions identified in this research and the focus of the analysis is to determine whether these lead to adoption. The research emphasis could be on identifying organisations that have combinations of the conditions pre-existing, and see whether they enable business-focused resource practices. Alternately, it could apply interventions to organisations so that they acquire these conditions and then track if these enable adoption. The challenge with such approaches would be to distinguish which of the conditions are sufficient because they invariably, or almost invariably, are followed by an outcome, or if they are necessary because they are present in all instances of the outcome (Ragin, 1999, p.1227).

Another logical step following on from this research would be to use a deductive methodology for testing out the causal patterns that have emerged from this research. This could involve implementing a survey instrument to a large population of nonprofit organisations. The approach could hypothesis

the relevance of organisational capacity and self-efficacy to the adoption of a social enterprise or business partnership and further test the necessity of the other conditions. An analysis of variance approach or regression analysis could be used to assess the significance or relative weighting of the different measures that define the proposed casual conditions.

It would be prudent, if conducting a survey, to more formerly stratify by geographical area than was done in this research. This would ensure results are not being shaped by policy circumstances found in specific Australian state or territory jurisdictions, or varying locations with different economic conditions and access to business. However a key problem that would need to be overcome is the limited proportion of nonprofit organisations that have successfully adopted a social enterprise or business partnership to whom the survey could be administered. The scope could be expanded to include nonprofit organisations of different sizes and in different fields of endeavour. An international comparison would also be of interest to see to what extent the varying levels of economic prosperity, enabling government policy and business social responsibility found in different countries impact on adoption of business-focused resource practices.

Focusing on the consequences of the beneficiaries of nonprofit organisations is an area that warrants more thorough examination, such as through a longitudinal examination over time. Galaskiewicz and Bielefeld (1998) arrived at a similar conclusion at the end of their twelve year study of nonprofits. They suggested that a weakness in their approach was an incomplete look at the impact upon the beneficiaries of the organisations resulting from the changing organisational tactics used; they cited a lack of access to quality data to measure this impact. This current research suffered the same limitation of access to primary data on clients' views on adoption, though did gain some material

through the interviews where the consequences on the organisation's target group were explored. On the whole, it seems the findings indicate favourable impacts on the constituents of the organisations. Potential benefits arising from adoption include the provision of new services and increased advocacy capacity.

There are many other interesting directions for further work to which this research points us. Given the importance of organisational capacity, a lot more research should be conducted in this area to better qualify the process of capacity building in nonprofits and the intervening variables that impact upon it. Self-efficacy in nonprofit organisations is another area where further work is warranted. Though there is much research on self-efficacy in the for-profit context there could be more exploration of the mechanisms of how it works in nonprofit situations. More could also be learned about what constitutes effective governance, specifically in relation to running a social enterprise or managing a business partnership.

Government would be wise to invest in research about how it can purchase services in a way that builds organisational capacity, spawns innovation and allows the achievement of real social outcomes, whilst still meeting its efficiency and effectiveness criteria. Some attention should go toward collecting evidence about the types of organisations that more readily engage in these types of practices and whether there is a correlation with the marketability of the mission.

Some organisations are likely to be less suited than others to establishing an enterprise, or attracting business partnerships due to the nature of their mission. It would be prudent that there is some monitoring of the longer-term consequences arising from the introduction of business-focused practices into

social service nonprofit agencies. Finally, additional work on the impact of business-focused practices on organisational culture would be beneficial, including how to maintain altruistic, socially focused values whilst adopting business-focused practices. The importance of this last point will be reflected upon in the concluding remarks.

15.3 Concluding Reflections

The model has implications for government policy makers and program designers who need to build processes that are capacity building, not capacity eroding. A key message for nonprofit agencies from the model is that there is complementarity between strengthening internal capacity and external mission reach.

There are both pragmatic and ideological challenges to be negotiated by nonprofit social service organisations as they are called upon, both internally and from without, to reinvent the means with which they achieve organisational sustainability. The tension in "balancing techniques and practices borrowed from business with a commitment to managing democratic practices" is said to be the "paradox at the heart of the third sector" (Lyons, 2001, p.226).

James (1986) takes a pragmatic approach to the challenge suggesting the impetus to seek alternative means of resource acquisition is functional, such as to avoid organisational decline, or being locked into a prescriptive and passive grantee relationship. This line of argument is continued with the suggestion that the more an organisation engages in activities that involve costs, the more they need to seek out innovative means to provide the required resources. However, the realities of life in a social service nonprofit is that the social actors

tend to be either skilled at resource acquisition or program operation, not both (Young 1983). The current environment requires the integration of both and therefore those organisations that have access to both types of skills are naturally going to be more successful in innovative resource mobilisation.

Less pragmatic in nature is the line of argument that emphasises the ideological hurdles and possible pitfalls when organisations shift in form and focus towards adopting 'business-like' practices and competitive behaviour (Brown et al. 2000). For instance there is the proposition that there are inherent dangers in the application of free market principles to social servicing, where people's welfare needs cannot be suitably regulated by market price. In addition there is the potential reduction in collective action across the sector and loss of activism, broader social solidarity and sense of community achievement and well-being.

The conceptual model defined by this research centres around the pragmatics of strengthening organisational and individual capacities for resource diversification, as essential to unlocking an organisation's innovative potential. However the model is not promoting 'market medicine' (Deakin & Walsh 1996) to be applied as a panacea for all resource ills. Instead the research emphasises that having the skills and knowledge on how to make business work for social ends is particularly useful in these times, given the transformative power of economics in this global contemporary world.

Drawing together economics with altruism requires a special kind of alchemy to make it work. We need to be visionary regarding the possibilities of this domain, of merging entrepreneurial approaches with social causes. Some people involved in the potential of merging business and social approaches are driven by high ideas no less than changing the world, as reflected in the following quote:

> What is it we are *really* trying to do?...If all we are trying to do is prove we can be communists in capitalists clothing, fine....But, what if what we are really trying to do is change the world and what is really driving us to rise up early in the morning and fall into our dreams late at night is the vision of a genuinely transformed planet? (Jed Emerson, cited in Alter 2004, pp. vii-viii)

Authors such as Bush (1992) are somewhat more cautious of business approaches entering the nonprofit world. He suggests nonprofits largely operate in an environment which dictates that "only a few rare nonprofits have or will ever have a resource base sufficient to fulfil their missions completely" (p.400). Bush argues that an alternative is required to the growing reliance on for-profit values as the answer to this dilemma. He presents reflections by Michael O'Neill (1989, pp.181-182), who is quoted as suggesting that:

> The future of the nonprofit sector has more to do with ideas and ideals than with money, structures, and expertise...The sector is clearly moving toward better organisation, better communication systems, better salaries and benefits for its employees, and a higher degree of professionalization. These are needed as they are inevitable, but it would be tragic mistake if they were allowed to develop at the cost of the charismatic energy that had driven the sector from the beginning.

So whilst the model presented in this research addresses the organisational elements of building stronger nonprofit social services, it directs us toward the importance of simultaneously maintaining and enriching the altruistic values embedded in the voluntary foundation of these organisations. Perhaps this calls for the need for benchmarks or an ethical framework to direct business-focused forays by nonprofit social services, as highlighted in section 14.6 in the discussion chapter. Clearly it would be a challenge to apply a single detailed framework across such a diverse topic as resource mobilisation. Social enterprises exemplify how diverse such practices can be in process and

outcome; but this should not discount nonprofit social services developing their own set of broad standards that could be adhered to when adopting business-focused strategies.

Though the research supports the proposition that much can be gained from adopting a social enterprise or business partnership, it warns against being dazzled by the seemingly inherent goodness of all such things entrepreneurial and innovative. These practices are ultimately mechanisms to serve an organisation's mission and their goodness rests in their embodiment of the community-based values and ideologies upon which the nonprofit sector is built. There are many challenges involved in adopting these practices that have been detailed in this thesis. The greatest challenge is that all three strands of society - civil, government and business - become active, involved and integrated partners on equal terms. This of course requires traversing the invisible cultural barriers (Blockson 2003) that exist between agents from these different sectors of society. Some researchers have found organisational cultural differences can be a significant factor hindering collaborative efforts (Lewis 1989), particularly differences in governance structures and decision-making processes, and a lack of understanding by actors within each sector to navigate through the ambiguity these differences create.

Overcoming these barriers and applying joint effort to create more supportive conditions for nonprofits to sustain themselves, as outlined through this research, is needed for the sake of all sectors of society. Improving the viability and reach of nonprofits will not only support the development of a stronger society, important to governments and businesses alike, but at the heart of the matter is to reach people in their time of need. The quest is to look after those organisations that are looking after others, for the sake of the collective good.

APPENDIX A

1. ADOPTER INTERVIEW QUESTIONS

- Can we start with you providing some background on your organisation and why it made the decision to adopt a business partnership and/or social enterprise? (Whatever is applicable).

Explore:
What were the drivers?
Organisation's stage of development?
Is adoption about pragmatics, innovation or legitimisation?
Other funding relationships e.g. government?
Were environmental stressors present?

- Can you please explain the process the organisation went through in developing its business partnership and/or social enterprise. Could you discuss the process from the early initiation stage to the later implementation phase?

Explore:
Who was involved in its conception, development, and implementation?
Decision-making processes?
Changes in the organisations' structural arrangements?

- What stands out as the major factors that have influenced the development and maintenance of your organisation's business partnership and/or social enterprise?

Explore:
What was the governance and leadership model?
Organisation culture (values, norms)?
The relative importance of external relations with business sector?
What has been the impact of environmental opportunities?
Individual factors – champions, entrepreneurial skills, experience, agency and contacts of individuals etc?
What has been the relative weighting of input from the board, manager, staff member
Role of Serendipity
Role of Organisational development
Role of heroes/champions or devils advocates?

- What linkages does your organisation have with the business sector? (If they have linkages…) How have they played a role in the initiation and implementation of the business partnership and/or social enterprise?

  Explore: Which organisational members participate in them?
  History of these networks
  Who maintains these networks?
  Characteristics of network such as strength, structure, status, direction, asymmetry

- Has your organisation engaged the involvement of consultants in developing the business partnership and/or social enterprise or for any other strategic management assistance? If yes, please explain.

Explore: Have they been involved in the initiation or implementation?
How have they liaised with board, manager, staff?
What was the driver for linking them into the process?

- What impact has the business partnership and/or social enterprise had on your organisation? What are some of the organisational consequences resulting from the adoption of these practices?

Explore: How assimilated is the business partnership and/or social enterprise?
What is the impact on the organisation's bottom line?
What has been the impact on services/programs delivered and/ or client group/s serviced?
Has there been difficulty in juggling this and core business?
Has there been a change in the actors involved in securing/controlling resources?
Any organisational structure, culture, staff attitudinal changes?
Impact on the confidence of individuals?
Have the impacts been formally monitored/evaluated?
How much is there an emphasis on the innovative means of resource acquisition versus the innovative outcomes for clients
Tension between social service and business stakeholders
Overall assessment for the future

Questions relevant to Board Members

- To what degree is the board steering the overall direction of the business partnership and/or social enterprise relative to involvement in the daily operations (or neither, ie it is left mainly under the manager's control)? What has your particular role been?

Questions relevant to Managers

- What is your role in managing the business partnership and/or social enterprise in relation to the board? What level of support do you get from the board in relation to this role? As a manager how much of your time is devoted to the business partnership and/or social enterprise relative to time spent on other organisational responsibilities?

Questions relevant to Staff

- What has your role been in developing and implementing the business partnership and/or social enterprise? What are your thoughts on the impact the business partnership and/or social enterprise has on achieving your organisation's mission and servicing the organisation's primary clients?

2. NON-ADOPTER INTERVIEW QUESTIONS

- Has your organisation ever considered developing a social enterprise and/or business partnership or adopted one in the past? (Provide definitions)

Explore: Was it successful or not successful?
Is it still being considered or is the idea dropped?
What influences have/are supporting or constraining this?

- What stands out as the major reasons why your organisation has not developed a business partnership and/or social enterprise?

Explore: Secure funding relationship?
Leadership in the organisation not skilled or interested?
Has organisation culture played a role (values, norms)?
The lack of networks/bridging capacity/external relations with business sector?
Impact of environmental opportunities?
Individual factors – anti-champions, welfare not business-focused, lack of skills and experience, low confidence and limited contacts?
The relative weighting of views of the board, manager, staff member?
Lack of opportunity, time, interest, and knowledge?
Stage of organisational development not appropriate?

- What do you see would be some of the major incentives for the organisation to adopt a business partnership and/or social enterprise? What do you see would be some of the major constraints?

Prompts: Interested in gaining legitimacy?
Opportunities to provided new services to new target groups?
Strategic response to organisational sustainability / securing economic independence?
Is resource scarcity a major driver or restriction?
What influence has the organisation's established sources of funding played (ratio of government funding to fundraising etc)?
Has knowledge base, skills, experience, confidence limited the process?
Has organisational structure and governance constrained?

- What linkages does your organisation have with the business sector or people with business expertise? Have these relationships/or lack of, played any role in your organisation not currently having a business partnership and/or social enterprise?

Prompts: Is the organisation mainly networked with social service networks utilising traditional models of service delivery?
Characteristics of the board, managers, staff networks such as strength, structure, status, direction, asymmetry?

- Assuming the organisation was interested in developing a business partnership and/or social enterprise what would it take for your organisation to do so?

Prompts: What factors are required to support this developing in your organisation?
What do you think your organisation has to offer a business?

- What benefits and disadvantages do you see could come from operating a business partnership and/or social enterprise that are not likely to exist in other social service organisations that are fully funded by government or operate as a for-profit organisation?

- If your organisation did have a business partnership and/or social enterprise what impact do you think this would have on your organisation and the programs it offers?

Prompts: Bottom line & resource mobilisation?
Mission accomplishment?
Culture change?
Servicing of target group and delivery of programs?

- Has your organisation engaged the involvement of consultants in organisational development or strategic management assistance? If yes, please explain.

Prompts: Have they looked at business partnership and/or social enterprise as a strategy?

Questions relevant to Board Members

- To what degree is the board steering the overall direction of the organisation relative to involvement in the daily operations (or neither, ie it is left mainly under the manager's control)? To what degree are you involved in seeking additional resources for the organisation?

Questions relevant to Managers

- What is your role in steering the overall direction of the organisation relation to the board? What level of support do you get from the board in relation to your role? As a manager how much of your time is devoted to seeking new resources versus time spent on other organisational responsibilities?

Questions relevant to Staff

What is your role in seeking new resources for the organisation? What are your thoughts on the impact seeking resources through businesslike means, such as a business partnership and/or social enterprise, would have on achieving your organisation's mission and servicing the organisation's primary clients?

PHD STUDENT RESEARCH *Participant Code [adopter]*_____
ORGANISATION QUESTIONNAIRE

The purpose of this questionnaire is to collect information about your organisation to assist in the research titled 'Business Orientated Resource Diversification in Smaller Nonprofits: Why some are adopting and others are not' (See information sheet and consent form for additional information).

Legal Structure - What legal structure is your organisation?
Please tick one

[ ] Religious Based Charity
[ ] Non-religious Charity
[ ] Community Managed Association
[ ] Membership Cooperative
[ ] Not for profit company
[ ] Other

_____

Organisation Focus - What is the mission of your organisation, its' target group/s and main programs/activities provided? *(Ignore if information is contained in your organisation's Annual Report)*
Mission _____
_____
Target Group/s_____
_____
Main Programs_____
_____
_____

Age - When was the organisation founded? [ ] yr (approx)

Staffing - What is the total number of employees in the organisation (approx)?

Full time [ ] Part-time [ ] Casual [ ] Volunteer[ ]

Structure - Please draw an outline of your organisational structure

Skills - Please briefly outline the background (eg Business or Welfare) & qualifications (eg Nil, MBA, Social Work) of your board and manager/coordinator/CEO?

Chairperson:

Vice Chairperson:

Secretary:

Treasurer:

Other board members:

Manager/Coordinator/CEO:

Resources - Please outline the sources of income your organisation receives *(ignore if you are able to provide the Annual General Meeting report).*

Income sources	**Amount**
Government Grants	
Bequests & Donations	
Fundraising	
Interest	
Business partnership (if applicable)	
Social Enterprise (if applicable)	

Sources of Other Resources (eg in kind contributions such as *pro bono* work)

Organisation Needs - **How would you rate your organisation's current need for the following (eg business planning expertise) and how well your current need is being met – use the following codes:**

Current Need 0= Nil.....5= Very high
How Well Need is being Met 0 = Not at all.....5 = Very well

AREA OF NEED	CURRENT LEVEL OF NEED						HOW WELL IS THE NEED MET?					
	Nil.....					Very High	Not ..... at all					Very Well
a. Business Planning Expertise	0	1	2	3	4	5	0	1	2	3	4	5
b. Marketing Expertise	0	1	2	3	4	5	0	1	2	3	4	5
c. Financial Expertise	0	1	2	3	4	5	0	1	2	3	4	5
d. Entrepreneurial Skills	0	1	2	3	4	5	0	1	2	3	4	5
e. Networking with similar Organisations	0	1	2	3	4	5	0	1	2	3	4	5
f. Use of external consultants	0	1	2	3	4	5	0	1	2	3	4	5
g. Access to finance for capital	0	1	2	3	4	5	0	1	2	3	4	5
h. Support from government	0	1	2	3	4	5	0	1	2	3	4	5
i. Other, please specify.....	0	1	2	3	4	5	0	1	2	3	4	5

.....

(question taken from 1994/95 survey on community enterprise - Bullen,P, Lawrence, S., Schwenke, P., Williamson, A & Williamson, S. (1997). *Nonprofits in Business* Surrey Hills: Work Ventures)

Position of person who completed this questionnaire

_____

_____

THIS SECTION TO BE ANSWERED *ONLY* IF YOUR ORGANISATION HAS A SOCIAL ENTERPRISE

1. **What goods or services does the social enterprise supply?**

2. **To whom does the social enterprise supply these goods and services?**

3. **What is the purpose of running the social enterprise?**

Please tick

[ ] Primarily to generate income for other purposes

[ ] Primarily to achieve a social goal

[ ] An even balance of both generating income and achieving a social goal

[ ] Primarily something else, if so please specify_____

_____

4. **In what year was the social enterprise established?**_____

5. **How many people are working for the social enterprise**

[ ] Paid full-time staff

[ ] Paid part-time / casual staff

[ ] Volunteers (including board or committee members)

6. **Is the legal structure of the social enterprise different to the parent organisation?** *(please circle)*

Yes No (go to question 8)

7. **What is the legal structure of the social enterprise?**

[ ] Cooperative

[ ] Company limited by Guarantee (ie not-for-profit company)

[ ] Incorporated Association

[ ] Unincorporated Association

[ ] For profit company owned by not-for-profit company

[ ] Registered Charity

[ ] Trust

[ ] Other please specify

8. **Language – How do you typically describe your social enterprise (eg community enterprise, social venture, business partnership)?**

_____

9. **<u>Beginnings</u> – Which statement below describes the beginning of your social enterprise?**

[ ] A voluntary Group of people coming together to achieve social goals and the activity slowly grows and forms into a social enterprise.

[ ] People within an existing organisation have an idea they think they might try. The activity subsequently slowly grows and then expands into a social enterprise.

[ ] People within an exiting organisation deliberately setting out to run a business venture.

[ ] The purchase of an existing business.

[ ] Other please specify_____

_____

_____

_____

10. **<u>Planning</u>- Is the social enterprise:**

	Please Circle		
Written into your organisation's strategic plan?	Yes	No	NA
Performance regularly monitored?	Yes	No	NA
Annually evaluated?	Yes	No	NA
Part of the organisation's financial plan?	Yes	No	NA

11. **Please add any other comments you would like to make regarding your social enterprise?**

(Many of these questions have been taken from a 1994/95 survey on community enterprise - Bullen,P, Lawrence, S., Schwenke, P., Williamson, A & Williamson, S. (1997). *Nonprofits in Business* Surrey Hills: Work Ventures)

THIS SECTION TO BE ANSWERED ONLY IF YOUR ORGANISATION HAS A BUSINESS PARTNERSHIP

1. Please describe your organisation's business partnership.

2. What is the purpose of the business partnership for your organisation? *(Please tick)*

[ ] Primarily to acquire resources for other purposes
[ ] Primarily to achieve a social goal
[ ] An even balance of both acquiring new resources and achieving a social goal
[ ] Primarily something else, if so please specify_____

3. In what year was the business partnership established?

4. Which organisational members are most involved in the maintenance of the business partnership? *(Please tick)*

[ ] Board or committee members
[ ] Manager or coordinator
[ ] Paid employees
[ ] Volunteers (not including board or committee members)

5. Language – How do you typically describe your business partnership? (eg partnership, joint venture, sponsorship arrangement?

6. <u>Beginnings</u> – Which statement below describes the beginning of your business partnership? *(Please tick)*

[ ] Our organisation and the business started with a smaller sponsorship/donation arrangement that slowly grew over time into a more formal partnership.

[ ] Organisational members had an idea they approached business with and the partnership subsequently grows.

[ ] Business approached our organisation deliberately to run a joint venture.

[ ] An outside agent facilitated our organisation and the business coming together.

[ ] Other please specify_____
_____
_____
_____

7. <u>Planning</u>- Is the business partnership:

	Please Circle		
Written into your organisation's strategic plan?	Yes	No	NA
Performance regularly monitored?	Yes	No	NA
Annually evaluated?	Yes	No	NA
Part of the organisation's financial plan?	Yes	No	NA

8. Please add any other comments you would like to make regarding your business partnership?

If not collected in person send to Melisah Feeney 9 Cuthbert Cct
WANNIASSA ACT 2903

THANK YOU FOR YOUR COOPERATION

PHD STUDENT RESEARCH *Participant Code [Non-adopter]*_____
ORGANISATION QUESTIONNAIRE

The purpose of this questionnaire is to collect information about your organisation to assist in the research titled 'Business Orientated Resource Diversification in Smaller Nonprofits: Why some are adopting and others are not' (See information sheet and consent form for additional information).

Legal Structure - What legal structure is your organisation?
Please tick one

[ ] Religious Based Charity
[ ] Non-religious Charity
[ ] Community Managed Association
[ ] Membership Cooperative
[ ] Not for profit company
[ ] Other

_____

Organisation Focus - What is the mission of your organisation, its' target group/s and main programs/activities provided? *(Ignore if information is contained in your organisation's Annual Report)*
Mission _____
_____
Target Group/s_____
_____
Main Programs_____
_____
_____

Age - When was the organisation founded? [ ] yr (approx)

Staffing - What is the total number of employees in the organisation (approx)?

Full time [ ] Part-time [ ] Casual [ ] Volunteer[ ]

Structure - Please draw an outline of your organisational structure

Skills - Please briefly outline the background (eg Business or Welfare) & qualifications (eg Nil, MBA, Social Work) of your board and manager/coordinator/CEO?

Chairperson:

Vice Chairperson:

Secretary:

Treasurer:

Other board members:

Manager/Coordinator/CEO:

Resources - Please outline the sources of income your organisation receives *(ignore if you are able to provide the Annual General Meeting report).*

Income sources	**Amount**
Government Grants	
Bequests & Donations	
Fundraising	
Interest	
Business partnership (if applicable)	
Social Enterprise (if applicable)	

Sources of Other Resources (eg in kind contributions such as *pro bono* work)

Organisation Needs - **How would you rate your organisation's current need for the following (eg business planning expertise) and how well your current need is being met – use the following codes:**

Current Need 0= Nil.....5= Very high
How Well Need is being Met 0 = Not at all.....5 = Very well

AREA OF NEED	CURRENT LEVEL OF NEED	HOW WELL IS THE NEED MET?
	Nil..... Very High	Not ..... Very at all Well
j. Business Planning Expertise	0 1 2 3 4 5	0 1 2 3 4 5
k. Marketing Expertise	0 1 2 3 4 5	0 1 2 3 4 5
l. Financial Expertise	0 1 2 3 4 5	0 1 2 3 4 5
m. Entrepreneurial Skills	0 1 2 3 4 5	0 1 2 3 4 5
n. Networking with similar Organisations	0 1 2 3 4 5	0 1 2 3 4 5
o. Use of external consultants	0 1 2 3 4 5	0 1 2 3 4 5
p. Access to finance for capital	0 1 2 3 4 5	0 1 2 3 4 5
q. Support from government	0 1 2 3 4 5	0 1 2 3 4 5
r. Other, please specify.....	0 1 2 3 4 5	0 1 2 3 4 5

.....

(question taken from 1994/95 survey on community enterprise - Bullen,P, Lawrence, S., Schwenke, P., Williamson, A & Williamson, S. (1997). *Nonprofits in Business* Surrey Hills: Work Ventures)

Position of person who completed this questionnaire

APPENDIX D

PHD STUDENT RESEARCH INFORMATION SHEET

Research is being conducted by a PhD student enrolled at the University of Technology, Sydney - School of Management titled 'Business Orientated Resource Diversification in Smaller Nonprofits: Why some are adopting and others are not'. Put simply the research purpose is to better understand why some nonprofit organisations mobilise resources through businesslike activities (eg social enterprise, business partnership), and why others do not. An aim is to better understand what it takes to move in this direction and consider any outcomes of this orientation.

What kind of organisations are being sought?

- The researcher is looking for small to medium sized nonprofit organisations that deliver non-residential social services with no more than 150 staff (approx).
- Organisations may be located in both rural and non-rural localities in NSW, ACT, SA, VIC and/or QLD (for accessibility reasons).
- Organisations are being sought that have a current social enterprise and/or business partnership: as well as organisations that do not have a current enterprise or partnership with business.

Note: For the purpose of this research social enterprise is defined as any business activity managed by a nonprofit whose main purpose is the attainment of both economic *and* social goals. Business partnerships will be defined as those characterised as involving a relatively high level of ongoing engagement between the nonprofit and business where there is a shared mission, large magnitude of resources invested, intense interaction, and some degree of complexity in the managerial arrangements. This is distinguished from philanthropic business transactions that involve a simple transfer of resources.

What will the research involve?

- The researcher conducting semi-structured interviews with the organisation's manager/coordinator, at least one long standing board/committee member and one service delivery staff (paid and/or volunteer), and consultant/s involved with the organisation (where applicable). Only those individuals who have voluntarily consented to participating in the research will be interviewed. Each interview will take approx. 1-2hrs and will be recorded on audio-tape;
- Completion of a questionnaire to provide background information on the organisation by the manager/coordinator; and
- Examining organisational records and practices relating to the strategic direction of the organisation, development of innovative strategies, funding raising initiatives, development of business partnerships and/or social enterprise (where applicable). Documents requested would include annual general reports (including audit statements, achievement reports, mission statements), minutes of meetings, project reports etc.

A commitment is being made by the researcher that:

- The organisation or any individual participating will maintain the freedom to withdraw from involvement in the research at any stage during the process;
- The publishing of research findings will be non-identifying of the organisation or any participant involved in the research unless it is requested by the participant and consent gained;
- The organisation will receive feedback on the research findings;
- Information collected on the organisation and from individuals will be kept strictly confidential, stored in a safe place in a manner that is non-identifying of the organisation or any individual and will only used for the current research project; and
- Data may be kept for 5 years after publishing the research findings and then destroyed.

Are you interested in participating?

Melisah Feeney will be conducting the research and is enrolled part-time as a PhD student (ID number [redacted]) at the University of Technology Sydney. **Melisah can be contacted on** [redacted] during business hours or on Mobile - [redacted] A/hrs. Email: Melisah.C.Feeney@uts.edu.au. Postal address for any correspondence is 9 Cuthbert Cct, WANNIASSA ACT 2903. Melisah has a background working in the social servcies sector though currently works for the Department of Family & Community Services as Assistant Director.

Researcher's Supervisor:

Melisah Feeney is supervised by Mark Lyons who is the Professor of Social Economy at the University of Technology Sydney, School of Management. He can be contacted on (02) 9514 5344 during business hours or email: mark.lyons@uts.edu.au.

THANKYOU FOR CONSIDERING PARTICIPATING

APPENDIX E

PHD STUDENT RESEARCH
ORGANISATION CONSENT FORM

This form is to gain your organisation's consent to participate in research titled 'business-orientated Resource Diversification in Smaller Nonprofits: Why some are adopting and others are not'. For further information on the research background see the information sheet.

Consent is being sought for research that will involve:

- Conducting semi-structured interviews with the organisation's manager/coordinator, at least one long standing board/committee member and long standing service delivery staff (paid and/or volunteer), and consultant/s involved with the organisation (where applicable). Only those individuals who have voluntarily consented to participating in the research will be interviewed. Each interview will take approx. 2hrs and will be recorded on audio-tape;
- The researcher observing the organisation environment and practices during site visits;
- Completion of a questionnaire to provide background information on the organisation by the manager/coordinator; and
- Examining organisational records and practices relating to the strategic direction of the organisation, development of innovative strategies, funding raising initiatives, development of business partnerships and/or social enterprise (where applicable). Documents requested would include annual general reports (including audit statements, achievement reports, mission statements), minutes of meetings, project reports etc.

A commitment is being made by the researcher that:

- The organisation or any individual participating will maintain the freedom to withdraw from involvement in the research at any stage during the process;
- The publishing of research findings will be non-identifying of the organisation or any participant involved in the research unless it is requested by the participant and written consent gained;
- Any observations by the researcher of organisational practices and activities will be undertaken with the consent of the organisation and under supervision where deemed appropriate;
- Your organisation will receive feedback on the research findings if interested;
- Information collected on the organisation and from individuals will be kept strictly confidential, stored in a safe place in a manner that is non-identifying of the organisation or any individual and will only used for the current research project; and
- Data may be kept for 5 years after publishing the research findings and then destroyed.

Researcher Details:

Melisah Feeney will be conducting the research and is enrolled part-time as a PhD student (ID number 00007106) at the University of Technology Sydney. Melisah can be contacted on (02) 6212 9441 during business hours. Email: Melisah.C.Feency@uts.edu.au. Postal address for any correspondence is 9 Cuthbert Cct, WANNIASSA ACT 2903. Melisah has a background working in nonprofit social services organisations though currently works as Assistant Director in the Commonwealth Department of Family & Community Services.

Researcher's Supervisor:

Melisah Feeney is supervised by Mark Lyons who is the Professor of Social Economy at the University of Technology Sydney, School of Management. He can be contacted on (02) 9514 5344 during business hours or email: mark.lyons@uts.edu.au.

Written Consent:
I agree to research data being collected on this organisation in accordance with the principles outlined in this form .

_____ ___/___/___
Signed by

_____
POSITION - Executive Staff Member/ Board or Committee Member

NOTE:
This study has been approved by the University of Technology, Sydney Human Research Ethics Committee. If you have any complaints or reservations about any aspect of your participation in this research which you cannot resolve with the researcher, you may contact the Ethics Committee through the Research Ethics Officer, Ms Susanna Davis (ph: 02 - 9514 1279, Susanna.Davis@uts.edu.au). Any complaint you make will be treated in confidence and investigated fully and you will be informed of the outcome.

APPENDIX F

PHD STUDENT RESEARCH
INDIVIDUAL CONSENT FORM

This form is to gain your individual consent to participate in research titled 'Business Orientated Resource Diversification in Smaller Nonprofits: Why some are adopting and others are not'. For further information on the research background see the information sheet.

Consent is being sought for research that will involve you:

- Participating in a semi-structured interview that will take approx. 2hrs and will be recorded on audio-tape;
- Contributing to the completion of a questionnaire to provide background information on the organisation;
- Possibly being observed by the researcher undertaking your duties where deemed appropriate by both parties;
- Identifying suitable organisational records that the research could view relating to the strategic direction of the organisation, development of innovative strategies, funding raising initiatives, development of business partnerships and/or social enterprise (where applicable). Documents requested would include annual general reports (including audit statements, achievement reports, mission statements), minutes of meetings, project reports etc.

A commitment is being made by the researcher that:

- You will maintain the freedom to withdraw from involvement in the research at any stage during the process;
- The publishing of research findings will be non-identifying of yourself and your organisation unless you specifically request it and in which case written consent will be gained;
- Observation of your work practices will be with your consent and only for activities you deem appropriate;
- You will receive feedback on the research findings;
- Information collected from you will be kept strictly confidential, stored in a safe place in a manner that is non-identifying of you and will only used for the current research project; and
- Data may be kept for 5 years after publishing the research findings though following this it will be destroyed.

Researcher Details:

Melisah Feeney will be conducting the research and is enrolled part-time as a PhD student (ID number 00007106) at the University of Technology Sydney. Melisah can be contacted on (02) 6212 9441 during business hours. Email: Melisah.C.Feeney@uts.edu.au. Postal address for any correspondence is 9 Cuthbert Cct, WANNIASSA ACT 2903. Melisah has a background working in nonprofit social service organisations though currently works as Assistant Director in the Commonwealth Department of Family & Community Services.

Researcher's Supervisor:

Melisah Feeney is supervised by Mark Lyons who is the Professor of Social Economy at the University of Technology Sydney, School of Management. He can be contacted on (02) 9514 5344 during business hours or email: mark.lyons@uts.edu.au.

Written Consent:
I agree to research data being collected from me and on the organisation I represent in accordance with the principles outlined in this form .

_____ ___/___/___
Signed by

_____
POSITION

NOTE:
This study has been approved by the University of Technology, Sydney Human Research Ethics Committee. If you have any complaints or reservations about any aspect of your participation in this research which you cannot resolve with the researcher, you may contact the Ethics Committee through the Research Ethics Officer, Ms Susanna Davis (ph: 02 - 9514 1279, Susanna.Davis@uts.edu.au). Any complaint you make will be treated in confidence and investigated fully and you will be informed of the outcome.

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