MAKING SENSE OF THE TERRITORY:
CEO PERSPECTIVES ON AUSTRALIAN CHARITIES

A thesis submitted in fulfilment of the requirements for the degree of
Doctor of Philosophy

Swinburne University of Technology
Faculty of Business and Enterprise

Rosemary Hermans

2014
Abstract

This study aimed to better understand the dynamics of Australian charities in dealing with the expectations that accompany government funding. It was informed by local commentary and international academic literature theorising not-for-profit activity. Designed as an inductive and interpretivist study, it explored the paradoxical dynamics of charities—and the system they are part of—through the eyes of both theoreticians and practitioners.

The not-for-profit sector has been theorised from many very different perspectives. No integrating theory has been developed, however, to explain its systemic, organisational and individual behavioural dimensions. When theories abound, and remain contested, it is arguable that genuinely complex dynamics are in play. This is the world in which organisational leaders try to make sense of things so as to guide the decisions and actions of others. It is reasonable to ask how they do this. Is their understanding as fragmentary and diverse as that of theorists? And how might their perceptions and experience inform theory and practice relating to the sector?

This study used in-depth interviews to explore the commentaries of CEOs in 41 not-for-profit organisations registered as charities with head offices in Victoria, Australia. When this project commenced, no studies of the views, behaviour or experiences of Australian CEOs in the sector were found. Subsequently, the Australian Productivity Commission released its Research Report: Contribution of the Not-for-profit Sector (2010) and the government of the day introduced reforms intended to enhance the sector's sustainability.

The CEO commentaries were read as highlighting dilemmas: persistent tensions unresolvable in definitive or lasting ways by logic or intervention. Eight different dilemmas were suggested as central in the commentaries. Further theoretical understanding was developed inductively: the idea of dilemma was taken back to the literature, and found to be differentiated from the concept of paradox. Smith and Lewis (2011) developed a theoretical model of organisational paradox based on extensive reviews of research over a decade. They conceptualised paradoxes as involving inter-dependent dynamics, where
actions taken to resolve them result in virtuous and vicious cycles of action and reaction. This framework was used to revisit the CEO commentaries to develop a deeper understanding of the sector’s contemporary systemic and organisational dynamics.

Smith and Lewis also highlighted less obvious paradoxical consequences of individual choice and action, suggesting more helpful ways for leaders to intervene. In light of this, the study considers leadership practice and development in the sector.
Acknowledgements

I would have thought completing a PhD is about the craving for discovery. But as it unfolds, it becomes so much more. Two wonderful supervisors have offered their insight over the last decade, deep in cups of tea and conversation, surrounded by their eclectic artefacts and books. I am eternally grateful to my supervisors for support, perennial patience and keeping me focused. Dr Geoff Drummond, my first supervisor, who passed away during the course of this thesis work, always greeted me with tea and piano playing and encouraged me to walk the journey ‘one step at a time’. Professor Nita Cherry kept me spinning and weaving the thread until it formed a magical textile. I will be eternally grateful. You are the fine Swiss clock; astute, striking and marvellous.

To the friends, coaches and mentors that critique and cherish me, thank you. In the ISTR conferences, with the likes of Mark Lyons and Wendy Earles, I found my ‘tribe’ and realised that believing in a vibrant civil society is not an impossible ideal.

My husband has been my rock of Gibraltar. Your strong, hard-working tradesman hands work like the greatest minds think. Humble, encouraging, generous and devoted. Quiet patience, freedom and unwavering love were undeniably the bedrock upon which the past twenty-one years of my life have been built and for that, David, I dedicate this thesis to you.

Thank you to my mother who has always believed in me. To all of my children, fostered, adopted, biological, past and in the future, you stir me and bring unbounded joy. I am truly blessed. Zuri and Chiara, my incredible girls, you are more than I could have dreamt for. Lastly I believe we all have a part to play to create a vibrant civil society. As a mother, a worker, a student, a volunteer, a friend and a member of our community, I take this role seriously, along with the wonderfully generous and committed CEOs whom I interviewed.
Student declaration

This thesis:

• contains no material which has been accepted for the award to the candidate of any other degree or diploma, except where due reference is made in the text of the examinable outcome;
• to the best of the candidate’s knowledge contains no material previously published or written by another person except where due reference is made in the text of the examinable outcome; and
• where the work is based on joint research or publications, discloses the relative contributions of the respective workers or authors.

Professional editing and proofreading

Gill Gartlan has edited this thesis, for consistency in spelling, punctuation and style in accordance with the Australian Standards for Editing Practice (ASEP).
# Table of contents

Abstract ii  
Acknowledgements iv  
Student declaration v  
Table of contents vi  
List of tables vii  

Chapter 1 *Introduction*  
The study's rationale and purpose 1  
The global context 5  
The Australian context 8  
Overview of the thesis 14  

Chapter 2 *Literature review: theorising the not-for-profit sector* 21  
Introduction and overview 21  
Economic and political theories 22  
Sociological theories 28  
Psychological and other theories of giving and volunteerism 33  
Theories of organisation 39  
Management theories 47  
Conclusion 52  

Chapter 3 *Methodology of the study* 55  
The intent of the inquiry 55  
The culture of inquiry 57  
The creation of the data set 63  
Interpreting the text 67  
The rigour of the study 69  

Chapter 4 *The reading of the transcripts* 73  
Introduction 73  
Dilemma 1: The tension between sustaining mission focus and developing a sustainable businesslike operation 75  
Dilemma 2: Partnerships with government or master-servant bonds? 83  
Dilemma 3: Being partners and competitors 89  
Dilemma 4: Spending resources on governance and compliance versus spending money on providing services 94  
Dilemma 5: Being able to advocate while being dependent 101  
Dilemma 6: Trying to be innovative in a risk-averse environment 106  
Dilemma 7: Long-term planning versus short-term resourcing 114  
Dilemma 8: Needing skilled staff but having limited means 118  
Summary 124  

Chapter 5 *Reflections on organisational and systemic paradoxes* 128  
Framings of dilemma and paradox in the academic literature 131  
The distinctive qualities of paradoxical dynamics 135  
Organisational paradoxes 139  
Revisiting the dilemmas 145
CHAPTER 1
INTRODUCTION

This chapter presents the rationale for undertaking the research and describes how its purpose and approach developed over time. It then describes the context of the study, briefly summarising the global significance of the not-for-profit sector as a whole (or third sector as it is also referred to), its development in Australia and the current issues that are specifically affecting those organisations recognised by government as charities. It then overviews the thesis, providing a summary of what each of the chapters is designed to do.

The study’s rationale and purpose

The intention of this study was to better understand the contemporary dynamics of Australian charities as they adjust to the expectations for accountability that are now associated with funding by government. Its positioning was informed by local commentary and international academic literature that has theorised not-for-profit activity more broadly for several decades. Designed as an inductive and interpretive study, its actual contribution has been to map and explore the paradoxical dynamics of charities—and the system they are part of—through the eyes of both theoreticians and practitioners, and then to consider the implications of that mapping specifically for leadership theory and practice in charities and in the not-for-profit sector more generally.

The focus and design of the study were shaped by a number of considerations, over a period of time. The researcher had been involved in voluntary effort for much of her early adult life (and is still involved in that activity at mid-life). She appreciated that the not-for-profit sector is a significant contributor to the wellbeing of societies across the globe and that arguably it represents some of the best characteristics of human endeavour. It is also subject to the increasing challenges of contemporary life. Its intentions and activities now play out in a global context of unprecedented change and rapidly advancing technologies.
Not only is the world increasingly interconnected, it is also multi-faceted, unpredictable and pervaded by social unrest and inequality (Boulton 2012).

These issues present significant challenges not only for those who work in the sector but also for those who seek to understand it theoretically. The first stage in the development and positioning of the study was to review the issues that currently challenge organisations in the Australian not-for-profit sector. The timing of the commencement of the project (2010) was stimulated by the fact that the Australian Productivity Commission had been commissioned to review the operation of the not-for-profit sector in Australia and was about to deliver its report to the federal government. Its subsequent work identified the many challenges and opportunities that result when the aspirations of those who are prepared to donate their own time and money in order to make a difference to the world need to accommodate the expectations of contemporary donors and funders, competitive pressures from hundreds of thousands of other not-for-profit organisations, and the regulatory and legal frameworks that affect some aspects of the sector.

However, those challenges and opportunities are not confined to Australia, and an extensive review of the international academic literature revealed how theoretical perspectives have attempted to describe and explain the not-for-profit sector as it has developed and functioned globally over the last fifty years. It discovered that the sector as a whole has been theorised from a range of very different perspectives, including social, community and organisational dynamics, economics, politics, and public policy and administration (Anheier 2005; Hull et al. 2011; Osborne 2010; Pestoff, Brandsen & Verschuere 2012; Robinson 2011). But, no integrating theory or over-arching frameworks have so far been developed to successfully describe and explain the dynamics of the sector across its systemic, organisational and individual behavioural dimensions. When theories abound, and remain contested, arguably it is an indication that the phenomenon in question is indeed complex (Stacey, 1992).

These challenges of both practice and theory create some interesting and fruitful opportunities for research. Given the diversity and fragmentation of theorising in the literature on the not-for-profit sector, it was difficult to pose a
coherent and meaningful predictive question based on theory that could be answered through a single data set. What did seem to be beyond doubt is that the state of the theory matched the complexity of the practice field as identified by commentators. Stacey (1992, p. 55) has suggested that a phenomenon or field is truly complex when both taking decisive action about it and offering conclusive theoretical explanations for it are impossible because of the inherent paradoxes involved: ‘the tension generated by being pulled in contradictory directions … leads to … instability and creativity’. Nonetheless, this is the world in which actors in not-for-profit organisations try to make sense of the issues that face them, both operationally on a day-to-day basis and more strategically as they help to build sustainable organisations:

Across the world, public and non-profit sector leaders face an extremely turbulent socio-political-economic environment. This environment creates additional risks and uncertainties for organizations and may hinder a leader’s ability to act strategically. Addressing these complex, constantly evolving conditions requires leaders to develop processes that involve the organization’s stakeholders and that create organizational conditions for self-generation, creativity, resilience and action planning (Davis, Kee & Newcomer 2010, p. 66).

It is reasonable to ask the question: How do the leaders of not-for-profit organisations make sense of the dynamics of the sector? Is their understanding as fragmentary and diverse as that of theorists? And how might their perceptions and experience inform or enrich theory and practice relating to the sector?

These questions suggested possibilities for the design of the next stage of the research: the creation of data sets that would throw light on the operation and dynamics of at least some aspects of the sector in Australia at this time. A deductive approach seemed problematic for the reason already mentioned: the difficulty of developing specific hypothetico-deductive propositions that could be tested through observable data. However, an interpretive inductive approach creates data sets that have the potential to directly bring to life—or at least adequately represent—the phenomenon of interest, without presuming what the
data will suggest about the way the phenomenon operates or presents in practice. When questions are asked of people, they are open-ended and designed not to inhibit the ways in which people might choose to answer them. Data sets are then initially and systematically interpreted with a clear mind, without reference to theory—as far as that is possible for researchers who have either practical or theoretical interest in the topic. The researcher is meant to go back to the literature only after that initial interpretive work is done, and to search for literature that is suggested by the themes developed through the analysis, whatever they are. This often leads to different literature than that studied for the initial positioning of the study, encouraging an enhancement of the way the phenomenon in question is understood in both theory and practice.

The design of the study posed other, considerable challenges. The Australian Charities and Not-for-Profits Commission (ACNC) estimates that there are at least 600,000 not-for-profit organisations in Australia (ACNC 2013), and any specific study of the sector struggles to represent its scale and scope. The researcher thought that the reform agenda of the government itself suggested some possibilities as to how to focus her study. Although the Productivity Commission’s work was intended to improve the standards of governance of the entire sector, it was not surprising that government was particularly concerned with those eligible for tax concessions for donations and those seeking funding by government itself. It was among these organisations that the full impact of the government’s reform agenda was likely to play out, and that the challenges of the entire sector would be most obvious. However, even defining that smaller segment proved to be challenging. The formal registration of not-for-profit organisations as charities for purposes of taxation and government funding had always been hampered by the lack of a single definition of charity and only in the final year of this study (in January 2014) did a single national definition of a charity come into operation in Australia through the implementation of the Charities Act 2013. At the time of writing, 56,000 charities are registered under that definition (ACNC 2013), a definitive number that was not available at the outset of this study. But even working from estimates, the researcher recognised the improbable hope of representatively sampling even registered charities. Hence, the study was pragmatically
confined to Victorian registered charities undertaking social and community services and excluding educational institutions, hospitals and sporting organisations. Furthermore, charities approached were limited to those which obtained at least one quarter of their funding from government sources and raised at least $500,000 in funding per year from donations. This considerably narrowed the criteria for inclusion in the study.

In the end, the research used in-depth interviews to explore the experiences and perceptions of CEOs in 41 not-for-profit organisations registered as charities with head offices in Victoria. The focus of the interviews was to explore the ways in which the CEOs articulated and interpreted the contemporary challenges of positioning charities as sustainable organisations in demanding and changing contexts; and the ways in which they attempted to engage with those challenges. At the time this study commenced, no studies of the views, behaviours or even reported experiences of Australian CEOs in the not-for-profit sector were found. At the time of writing, this continues to be an opportunity for study and theorising.

The global context

For as long as human beings have been capable of working together to accomplish things that matter to them, it is arguable that they have mobilised energy and effort for activities that are not directly profitable in economic terms but that nonetheless immeasurably improve the lives of individuals and communities. In recent times, however, ‘the processes of democratization, economic liberalization and technological transformation have led to a dramatic growth in the number, diversity, reach and influence of civil society organizations and networks’ (Nelson 2007, p. 2).

Across the world, and across national and political borders, the not-for-profit sector has contributed to a diverse range of areas such as health, culture, the environment, education, recreation and social services. And increasingly, in many countries, it is supported by significant government funding as well as donations of money and time from individuals and corporations.
Many, although not all (such as amateur sporting clubs), are inspired by the needs of the poor, the vulnerable, the disadvantaged, the marginalised and disempowered in society.

It is impossible to know the number of not-for-profit organisations in the world. However, there are currently over 1.2 million such organisations registered as charities for tax purposes in the United States of America (Human Rights 2012). While the sector has traditionally been highly segmented into relatively small organisations operating independently of each other, it now also operates as a sector that has global reach. Oxfam International, for example, is a co-federation of 13 organisations focusing on economic and social justice, working in over 100 countries with more than 3000 partners (Oxfam 2014). CARE is a similar organisation working in 66 countries in its fight against poverty, reaching 55 million people through the 901 projects it runs (CARE 2012). World Vision, an international relief and development agency, has grown well beyond helping children orphaned in the Korean War to now employing 40,000 staff worldwide in over 90 nations, with an Australian budget of $346.7 million and a global budget of $US2.575 billion in cash and goods used to assist over 100 million people (World Vision 2012).

But as Salamon et al. (2010, p. 1) have noted, ‘civil society organizations, after all, do more than provide services. They also affect the balance of power among social groups and between them and the state’. They actively advocate on behalf of others, seek to develop social capital and inclusion, effect public policies, raise public awareness, champion human rights, and provide vital humanitarian assistance that is imperative to individuals and societies across the globe (Hamad, Swarts & Smart 2003). In times of international and local crisis, when the economic, social and political fabric of societies can be seriously damaged, the capacity for human beings—even poor ones—to mobilise globally in order to assist others is truly impressive.

The definition of the sector has always been problematic, and arguably has become much more so over the last two decades. The terms ‘third sector’, ‘not-for-profit sector’ and ‘voluntary sector’ are all used by practitioners and by academic and other commentators, mostly without clear differentiation or
explanation, although it has been suggested (Kendall 2009) that the terminology reflects the changing discourses of politics, economics and social theory since the Second World War. In Australia, the term ‘not-for-profit’ was selected for the legislation that set up the Australian Charities and Not-for-profit Commission. It—or its abbreviation ‘non-profit’—was also the term mostly used by those interviewed for this study. The term ‘not-for-profit’ is used throughout this thesis.

The key features that have traditionally distinguished the not-for-profit sector have included separateness from government, the capacity to be self-governing, not-for-profit distribution of funds and significant voluntary effort in servicing organisation and their operation (Salamon & Anheier 1997). However nearly all these elements are now significantly blurred by the emergence of hybrid organisational forms, by the relationships that the sector has with government, and by the new aspirations of the sector itself as it takes up global agendas (Billis 2010). The character and dynamics of the sector also vary depending upon the social, regulatory, political and cultural context of the country in which it is located.

What is clear is that over the last fifty years, the contribution and resourcing of the sector in the West has grown significantly and continuously, although subject to the changing economic, social and political cycles that have played out both globally and locally. Cornforth and Brown (2014) observe that, despite cultural and historical differences, there have been many common trends in the development of the sector among Anglo countries, including their increased involvement in the delivery of public services on a contract basis, increased cross-sector partnerships to deal with complex social problems that require agencies to combine their activities, and encouragement for the development of social capital and active citizenship. Increasing reliance on funding from government as well as private donors, coupled with the size of the resources involved, has led to increased expectations for accountability and performance from both government and society.

The ways in which the sector operates in the UK, USA and Australia reflect the larger dynamic of what has been called new public management initiatives,
which began in the 1980s and affected more than the not-for-profit sector (Hood 1991). Key features of this phenomenon have been the devolving of power to quasi-autonomous non-government organisations (known as QANGOs); the creation of market-like dynamics which placed government agencies as purchasers of services and not-for-profit organisations as providers competing for government contracts; and the creation of arm’s length forms of control through service level agreements, regulatory frameworks and audit regimes (Wilding et al. 2006).

The blurring of boundaries between the public, private and not-for-profit sectors is reflected in the direct provision of services by the not-for-profit sector that were either previously the domain of the public sector or are new areas of activity that government wishes to fund but not provide directly. This blurring raises questions about the independence of the sector and how it is to be preserved in the light of its financial ties and regulatory obligations to government (see for example the report of the UK’s Independence Panel (2012)). Arguably this issue has been thrown into sharp relief by the continuing after-shocks of the 2008 global financial crisis.

More generally, the developments in the sector have raised questions about the capacity of individual not-for-profit organisations to deal with a complex, multi-layered context, the risks of commercial practice, and the increasing ambiguity of issues of purpose, process, boundary and identity.

**The Australian context**

When a colony was first set up in Australia at the turn of the eighteenth century, the administrators of the day assumed responsibility for those ‘deserving of help’ (Wearing & Berreen 1994). The influence of an English monarch and migrants brought middle-class notions of charity and a strong lower class tradition of mutual association (Lyons 2001, p. 99). Not-for-profit organisations slowly emerged from the early 1820s and stepped in alongside the colonial and nascent state systems to help alleviate poverty.

Not-for-profit organisations are constantly evolving, sometimes to the extent of being the sole providers of particular services to the community (Marshall &
Keough 2004). ‘As they pursue the probably ephemeral holy grail of civil society, governments would now seem to be enthusiastically forging partnerships with the third sector (voluntary and community sector, or not-for-profit sector) of which charities form the cutting edge’ (O’Halloran 2007, p. 1).

And enormous growth and significant scholarly interest has occurred in the sector over the last few decades. There are an estimated 600,000 not-for-profit organisations in Australia, of which 56,000 are registered charities for tax purposes (ACNC 2012). The largest charity in Australia is the Salvation Army. With almost 5000 staff and over 9000 volunteers, its Southern Territory alone raised $314.2 million in the 2010 financial year, with 48 per cent coming from government funding (Salvation Army 2013). This charity provides diversified services in a broad range of areas including disability services, aged care, employment, education and training and substance abuse. However, the vast majority of charities are still relatively small and are confined in their scale, scope and locale, relying almost entirely on volunteers and members, and specialising in one aspect of health, science, sports, arts, heritage, culture or the environment.

Taken as a whole, the not-for-profit sector in Australia is now large and expanding, receiving $26 billion in government funding, contributing $43 billion to Australia’s GDP (or between 3 and 4 per cent GDP), with an annual growth rate of 7.7 per cent since 2000 (Productivity Commission 2010, p. xxii). The contribution of 750 million hours of labour in 2004 by 6.3 million Australian volunteers (41 per cent of adults) is the equivalent of $13.3 billion (Hudson 2009).

The 56,000 not-for-profit organisations that meet the criteria for tax deductibility of donations in Australia are referred to as registered charities. Today, charities are arranged in a variety of legal forms, including companies limited by guarantee, unincorporated associations, incorporated associations and cooperatives. They are thus subject to varying legislative and regulatory requirements. On the other hand, the duties and liabilities of not-for-profit board directors, who are mostly volunteers, are the same as remunerated for-profit
directors and not-for-profit boards must keep pace with the requirements of corporate governance protocols.

The not-for-profit sector has seen much change along with its continual growth. As indicated already, not-for-profit organisations must compete with one another in more sophisticated ways for available government funding and for the time and money of donors. They adopt more managerial and business-like practices not only to meet the expectations of the donors and the community, but also to meet the increasingly rigorous requirements of government regulation. Many have transformed into more professionalised organisations, able to use improved information technologies, more extensive and better managed networks and partnerships of various kinds, and to access (through voluntary effort or employed staff) the capabilities required for the tendering, accreditation, reporting and accountability processes required of them. In some cases, they have established the capability to run business activities such as marketing campaigns, gift catalogues and promotional activities. Some also now run ventures for profit to supplement their fundraising. OXFAM, one of the largest overseas aid charities in Australia, runs giftware shops selling fair-trade items, and numerous charities recycle clothing and furniture through opportunity shops. These ventures are in direct competition with other traders and shops that may also sell second-hand clothing or fair-trade goods. They require cost-effective procedures, skilful marketing, competitive pricing, and front-of-house skills. These organisations must also be able to see the bigger picture, understand the larger systems in which they operate, and be good at anticipating and responding to change. At the same time, they need to be able to maintain clarity and commitment in relation to their mission, vision and values for their volunteers, donors and paid workforce.

The challenges in accomplishing all this were signalled some years ago (Clarke & Newman 1997; Lindenberg & Dobel 1999) and have been articulated more clearly as time has gone by. Sawhill and Williamson (2001, p. 371) comment that ‘the lessons from the private sector have proven useful to not-for-profits, particularly in such areas as strategic planning, marketing, finance, information systems, and organizational development’. Occasionally dire predictions have been made for those who do not pursue government funding opportunities, new
donor options or new commercial forms (Cleary 2003). At the same time, charities must deal with the increasing accountability requirements required by government in return for funding.

But in taking on these requirements and practices, it has been argued that not-for-profits can also diminish their comparative advantage, adopt more managerial and less flexible structures and weaken their connections with the communities they serve (Billis & Glennerster 1998). This leads to contrasting perceptions that they are simply part of the delivery arm of government or that they seek to make money through business-like operations. So the ‘challenge for third sector organizations is to maintain the participation of their constituencies on the ground while attending to managerial imperatives and contractual constraints imposed from the top’ (Onyx et al. 2010, p. 47). As very considerable resources from donors and the government are managed by the sector, stakeholders have high expectations for demonstrable accountability, transparency and ethical conduct (Hamad, Swarts & Smart 2003).

In the past, the challenges facing the sector have been framed in even more fundamental terms:

- The result is a deep and spreading disorientation, an identity crisis, about what the non-profit sector is, what its role and responsibilities should be, what its relationship to government and to the private profit-making sector should be, and what its special capabilities and limitations are (Nielson 1985, p. 438).

Thirty years later, leading practitioners in the sector in Australia share the view that there is a crisis in Australian charities centred on mission drift:

- It is not a crisis of professionalism: indeed charities are increasingly becoming more and more professionalised. The days of charities being run by the well-intentioned ‘cardigan brigade’, by pensioned-off minor officers from the armed forces, or by well-meaning financial illiterates, are days fast disappearing. Arguably, Australian charities are among the best run in the world. Many of them are … operating within an environment [that] … makes the challenges of most private companies
look positively straightforward. No, the crisis is not one of professionalism.

Nor is it a crisis of money. For most charities it is not all bad financially. Offsetting the tight budgets, there are financial certainties … of both the timing and the size of their cash flows.

There are many corporations, both public and private, that would give their eye teeth for such a situation … By comparison, many charities today can accurately budget to within a few per cent and rarely have bad debts … No, the crisis for Australian charities is one of identity. They are in crisis because so many of them do not know who they are and they do not know why they are doing what they are doing …

Clarity about the who and the why has been muddied by a focus on service delivery and obscured by a focus on financial survival (Judd, Robinson & Errington 2012 pp. 3–4).

Over the last two decades, there have been a number of inquiries into the not-for-profit sector in Australia, resulting in significant recommendations for the sector. For example, the Industry Commission (IC) report on Charitable Organisations in Australia (IC 1995) identified major problems with the system of accountability reporting, including a lack of consistent data collection processes, limited public access to information, and lack of standardisation of financial reporting and other information. However, there was limited progress in addressing the issues raised by this and other inquiry processes. The Australian Productivity Commission was then charged by the federal Labor government of the day to undertake an extensive review of the sector. Among other things, it was asked to: ‘Examine recent changes in the relationships between government, business and community organisations and assess whether there is scope to enhance these relationships so as to improve outcomes delivered by the sector’ (Productivity Commission 2010, p. 1). The Commission held roundtable meetings with many not-for-profit and government representatives and researchers around the country. It released its Research Report: Contribution of the Not-for-Profit Sector in January 2010 and in May 2011 the government announced a range of reforms. These were designed to
improve regulatory arrangements so that not-for-profit organisations could focus both on core business and innovation instead of paperwork; reduce duplication and overly demanding processes; enhance governance though increased transparency and accountability; and increase public awareness and confidence in the sector’s capacity to manage their resources. The announced intention was to enhance the sector’s sustainability over the long term while encouraging public engagement through greater giving, philanthropy and volunteerism. The government announced the creation of two bodies: the Office for the Not-for-Profit Sector and the Australian Charities and Not-for-profits Commission (ACNC). The latter commenced operation in December 2012, with the provision of $53.6 million dollars over four years to assist in the implementation of new arrangements for the sector. The ACNC was to have about 90 officers, and report to parliament through the federal treasurer. The Office for the Not-for-Profit Sector was subsequently disbanded on 18 September 2013 when the Prime Minister, the Hon Tony Abbott MP, was sworn in by the Governor-General.

The initial work of the Commission was focused directly on reviewing the information and reporting requirements for funding and evaluation purposes, clarifying and standardising the definition of a charity and charitable donations, and developing a common framework for measuring the diverse contribution of the not-for-profit sector. Each of these activities was intended to have a major impact on the sector and the economic and social systems of which it is a part. Reformulation of not-for-profit tax concessions alone, which are currently ‘incomplete, inefficient and inequitable’ (Productivity Commission 2010, p. 169), would have a considerable impact.

These agendas have attracted critique within the sector. For example, the Australian Council of Social Service (ACOSS 2010) has suggested that given that the role of the Productivity Commission is to focus on achieving a more productive economy as the key to higher living standards, the focus on market-based value and operation might not capture the social capital created by the not-for-profit sector.
In the short term, however, the ACNC perhaps faces more pragmatic challenges. The 41 CEOs interviewed in this study were all asked whether they had read the Productivity Commission report, which had been released three months prior to the first interview being held. Even by the end of the interview process, over one year later, less than one-third of them had looked at even the Executive Summary and only one interviewee had read the report in its entirety. Nearly one third of interviewees did not know of its existence.

Following a change of government in late 2013 at the last Australian federal election, proposed legislation (Australian Charities and Not-for-profits Commission (Repeal) (No.1) Bill 2014) was introduced into the federal parliament on 19 March 2014 to repeal the legislation that established the ACNC.

**Overview of the thesis**

Chapter 1 has described the way the rationale for the focus and design of the study evolved, and set the scene for the study by briefly outlining the scale and scope of the not-for-profit sector globally and in Australia. It has described the issues playing out in the contemporary Australian scene, particularly for charities funded partially by government, drawing on commentary that includes the findings contained in the Productivity Commission Research Report published in January 2010. This report identified the changing and complex dynamics of the sector, as well as its scale and significance in economic and social terms. These dynamics produce perhaps the most distinctive tasks facing those who lead charities: those of balancing the demands of differing stakeholder relationships; balancing formal legal and accountability requirements with the aspirations of mission and, increasingly, with the practicalities of business—and doing all this across different and competing time frames.

Chapter 2 contains the initial literature review. It explores the range of ways in which the not-for-profit sector as a whole has been theorised. It attempts to capture not only the disciplinary perspectives that have been brought to bear on it but also the complexity – in Stacey’s (1992) terms - that these different frames suggest. Attempts to understand the multiple dynamics of the sector have
attracted interest from a broad range of disciplinary perspectives. These include economics, politics, sociology, community development, giving and volunteerism, management and organisation. However, individual theories cannot always be neatly categorised as one or the other and they also range from macro to micro levels of analysis. Readily apparent, too, is the absence of theoretical frameworks that attempt to integrate the diversity of perspectives. Arguably this continuing conceptual diversity, in itself, speaks to its profound complexity.

Yet these are the complexities with which leaders and practitioners in the sector work every day, forming their own understandings of what is happening and what they and their organisations need to do about it. This prompted the preliminary question: how might first-hand accounts of the contemporary experiences and perceptions of CEOs of Australian not-for-profit organisations inform both theoretical and practical understanding of the sector?

Chapter 3 describes the methodology used to gather data to answer this generative and open-ended question. The study used an inductive and interpretive culture of inquiry, so the question emerged from deep immersion in literatures that span both the Australian practice context and international academic literature. An initial literature review provided the rationale for the focus and design of the study; however, it was not the source of specific hypotheses or predictions, and the creation and initial interpretation of the data sets were undertaken with an open mind, in terms of theory. So the researcher was careful not to assume that the CEOs would experience the sector as complex or that, even if they did, they would not necessarily report their perceptions of it in such terms.

The research used in-depth interviews to explore the experiences and perceptions of CEOs in 41 not-for-profit organisations registered as charities for purposes of tax-deductible donations in Australia, and in receipt of government funding. The focus of the interviews was to explore the ways in which the CEOs articulated and interpreted the contemporary challenges of positioning charities as sustainable organisations in demanding and changing contexts, and the ways in which they said they attempted to engage with those challenges.
The study sample group met all of the following criteria: they were all CEOs of registered charities working in the Australian state of Victoria that undertook social or community services but were not educational institutes (i.e. primary and high schools), hospitals or sporting organisations. In addition, all obtained at least one quarter of their funding from government sources and raised at least $500,000 in funding per year.

The charities included both religious and non-religious organisations, and were medium and large charities as defined by the Act that established the Australian Charities and Not-for-profits Commission. Interviews were conducted on a one-to-one basis with the CEOs and lasted for approximately one and a half hours.

The interview transcripts were then interpreted to identify themes to be explored in the literature in order to further enrich the description and explanation of the data in conceptual and theoretical terms. The results of this interpretive work are set out in Chapter 4, drawing extensively and directly on the commentaries of the CEOs themselves. It became evident that similar themes were emerging from these commentaries despite the substantial differences in the kinds of services in which they were involved. In particular, they spoke of dilemmas for both practice and understanding: tensions that could not be resolved by logic or intervention and that would not go away. Eight dilemmas emerged as central to the CEOs’ experience of the complexity of the sector.

The first dilemma concerns the tension between serving a core mission inspired by values shared by a group of committed people, while meeting the requirements of government and the community to be sustainable in business terms. The second dilemma holds the tension between the official rhetoric of partnership between the not-for-profit sector and government and the actual imbalances in the power of the parties. The third reflects the pressure on not-for-profits to both compete with one another for government funding and to cooperate with one another to provide joined-up services and attain efficiencies of operation. The fourth dilemma draws out the tension between spending hard-won resources on governance and compliance requirements and spending money on the services which donors and funders had in mind when they contributed their time and money. The fifth sets the desire to advocate for their
causes and challenge policy settings, when funding is often partially or wholly funded by the government responsible for those policy settings. The sixth holds the challenge of trying to be innovative in an environment experienced as risk averse. The seventh is that of attracting and retaining committed and skilled staff on low and insecure budgets. The eighth sets long-term aspirations and innovative strategic plans against short-term budget cycles and limited and uncertain financial commitments.

Theoretical understanding of the data was developed inductively. This allowed themes arising from systematic readings of the data to guide a second literature search for theory and research that could suggest richer understanding of the themes identified. The idea of dilemma was taken back to the organisational and management literature, and was found to have been differentiated, over several decades, from the concept of paradox, beginning with the work of Rittel and Webber (1973) and including the slightly later work of Lipsky (1980). Inspired by the foundational work of Cameron and Quinn (1988), firstly Lewis (2000) and then Smith and Lewis (2011) developed and refined a theoretical model of organisational paradox based on extensive reviews of the literature and research published over a period of ten years in the journals of the American Academy of Management. Smith and Lewis suggest that dilemmas are best understood as difficult choices between unconnected alternatives. In contrast, they conceptualised paradoxes as involving organisational and system dynamics that are inter-dependent and self-reinforcing. A key idea associated with a paradox is that an action taken in an effort to resolve it will eventually trigger an opposing reaction. These conflicting yet mutually reinforcing forces can persist as accelerating virtuous and vicious cycles of action, reaction and counter-reaction.

On the basis of exemplar studies identified in the literature, Smith and Lewis (2011) proposed four categories of paradoxes that they suggest are particularly common. Paradoxes of learning develop when efforts to create the future, to innovate and change involve destroying or abandoning past wisdom and practice. Existing frames of reference are used to engage with new possibilities; they eventually limit that engagement; and capabilities that have been strengths in the past become liabilities as the environment changes. Paradoxes of
organising arise between the tension of encouraging trust, commitment and creativity while maintaining efficiency, discipline and order. The studies explore the double-binds and contradictions that arise when organisations drive towards control, efficiency, routine and formalisation on the one hand, and empowerment, flexibility and collaboration on the other.

Paradoxes of belonging develop when individuals seek to maintain their separate identities, values, roles, and worth, while creating a group that is distinctive, credible and aligned in its effort. Paradoxes of performing emerge when many different stakeholders are involved, with competing interests and approaches. When expectations are in open conflict with one another, organisations can be caught in very complex systemic dynamics that make not only action but also explanation of that action very difficult. The exemplar studies suggested that tensions play out between these four different categories, not just within them (Smith & Lewis 2011, p. 384).

This paradox framework was considered sufficiently robust to be used to analyse the organisational and systemic dynamics of the CEO’s dilemmas. That analysis is also presented in Chapter 5. It was concluded that the paradox framework offered a more insightful understanding of the commentaries of the CEOs than that of dilemma.

The researcher then returned to the not-for-profit literature to find out if and how the idea of paradox had already been taken up in that sector. Some writers and researchers had used the term to describe sustained and significant tensions that have increasingly characterised governance in the sector, although not specifically naming the mutually reinforcing quality of paradoxes that is one of the central concepts in Smith and Lewis’s framework. Sundaramurthy and Lewis (2003) in fact used the earlier version of the framework to explicitly explore governance tensions, although not in the corporate sector. Cornforth and Brown (2014) argue that modern governance in any sector requires approaches that integrate understanding of many dimensions of organisational thinking and practice. They are also very critical of the fragmentation of theorising not-for-profit governance, calling for more sophisticated ideas and approaches that integrate systemic, organisational and individual perspectives.
and behaviours. From a very different perspective, Earles and Lynn (2012) offer both a trenchant criticism of how parochial management practices damage the fabric of local community in Australia and a language and vision for not-for-profit organising that suggests fruitful ways to understand and constructively engage with its complexity and dilemmas.

While the focus of Chapter 5 is on organisational and systemic levels, the frameworks and concepts therein either indirectly or directly connect organisational and systemic dynamics with the behaviour of individual actors. In the theoretical frameworks of Lewis (2000), and Smith and Lewis (2011) paradox was associated with the personal reactions of human beings as they struggle with the changes and challenges that confronted them. The work of Smith and Lewis includes explicit detailed explanations of the dynamics of paradoxes that go beyond collective behaviours to the behaviour of individuals. They not only provide diagnostic aids that highlight the less obvious paradoxical consequences of individual choice and action, but also suggest more helpful ways in which leaders might frame their interventions. This aspect of their work is taken up in the final chapter of this thesis. Chapter 6 first reviews the ways in which leadership in the not-for-profit sector has been written about by researchers and practitioners, and then considers how notions of ‘paradoxical leadership’ can contribute to both the theory and practice of leadership and leadership development in the not-for-profit sector.

Speaking at the World Economic Forum in 2009, the United Nations Secretary-General Ban Ki-moon has observed that ‘our times demand a new definition of leadership – global leadership. They demand a new constellation of international cooperation – governments, civil society and the private sector, working together for a collective global good’ (Ban 2009). The aspirations of this study were much more modest. The data offered a way of understanding the contemporary opportunities and challenges of the not-for-profit sector in Australia through the eyes of those who lead charitable organisations on a day-to-day basis. Their first-hand accounts provide a rare counterpoint—in this country at least—to the commentary and rhetoric of the academy, government and the founders of charities.
The interviews conducted focused on the perceptions of CEOs as to the impact of these challenges on their organisations and the ways in which they were trying to deal with them. From the analysis of the interviews undertaken, a series of paradoxes and dilemmas have emerged, which are central to the CEOs' experience of the complexity of the sector. The interview transcripts also offer insight into the range of ways in which the CEOs try to deal with the dilemmas they face. First-hand accounts of how Australian leaders in this sector are engaging with these changes have not been created previously. Hopefully, an understanding of how CEOs say they experience the challenges and of the third sector in Australia, and how they say they are engaging with them, will be of value to those who wish to move beyond the rhetoric that characterises public debate on the sector and establish how, in practice, executives seek to resolve the complexities that confront their organisations. They will also be of value to those who are interested in sustainable leadership practice in the sector and in the development of robust theory.
CHAPTER 2
LITERATURE REVIEW: THEORISING THE NOT-FOR-PROFIT SECTOR

Introduction and overview

The previous chapter described the operational challenges of the not-for-profit sector, with a particular focus on the current dynamics of the Australian sector. This chapter explores how the sector has been theorised across the world. In doing so, it suggests how difficult it is for those who try to influence the sector—whether through policy or direct engagement—to understand its dynamics.

Theories have been offered from a range of disciplinary perspectives, over several decades. Individual theories sometimes reflect not a single disciplinary perspective, but a combination of two lenses, such as social and economic thinking. They also range from macro-level thinking through to meso- and micro-levels of focus. What is striking is the absence of theoretical frameworks that attempt to integrate the many strands of thinking that have been brought to bear on the sector. Arguably, this continuing conceptual diversity in itself speaks to the sector's profound complexity.

The chapter is divided into five sections:

- economic and political theories;
- sociological theories;
- psychological and other theories of giving and volunteerism;
- theories of organisation;
- theories of management.

However, as mentioned already, there are several points at which theories cross these categories.
Economic and political theories

Theories that take an economic or political perspective on the not-for-profit sector seek to understand and explain how the domains of market-dynamics and voluntary effort relate to each other, and how public policy relates to both. As Lohman (1989) has observed, this has given rise to some rather clumsy framing, such as, for example, where not-for-profit activity is seen as a deviant form of commercial enterprise, or is defined in terms of what it is not (Lohman 1989, p. 3), or what it is lacking. Another example is the view that because it lacks a profit-motive it will inherently be inefficient or lacking in adequate management control (Steinberg 1987). The involvement of government in regulating and funding the sector adds to the difficulty of applying existing economic theory.

Economic theories

During the 1960s and 1970s, in both Europe and North America, the not-for-profit sector increasingly became a site for public policy, initially in areas of health and education and then day-care and nursing home industries (Hansmann 1987). In contrast to much older forms of charity (such as the workhouse) that focused on sustaining basic survival, many small social movements had formed in the post-war period that were more broadly issue-based, reflecting a shift from the central driver of religion to a public consciousness of the responsibilities of contemporary affluent democracies to all members of their communities (Barry & Jones 1991; Clemens 2012; Humphreys 1995; Siegal 2012). Governments began to work together with charities on the assumption that they were jointly engaged to uphold society’s institutions and values. Not-for-profits also began to bear responsibility for the provision and maintenance of public utilities as well as being involved in social control and goals (O’Halloran 2011, p. 56), dominating in some areas for a time, such as child care, and broadly co-existing in others (Glaeser & Shleifer 2001).

The increasingly large amounts of public funds being directed to not-for-profit agencies have prompted periodic serious inquiry into the economics of the sector alongside the issues of public responsibility, which play out very differently in a range of political and cultural contexts. How government and not-
for-profits will continue to share responsibilities is an ongoing debate, with new conceptions emerging about social capital and how it is built, and new approaches to partnering and social contracting being explored. These ideas, together with emerging forms of social entrepreneurship, have also stimulated the need for further theory review and development (Nissan, Castano & Carrasco 2012).

It was not until the 1980s, when the notions of the welfare state and neoliberalism were under some challenge, that purpose-built theoretical frameworks started to emerge (Cheshire & Lawrence 2005). Until then, not-for-profit studies were either relegated to the background of social science or seen through a simplistic two-sector economic frame of state versus the market (Anheier 2005). The not-for-profit sector has since become a rich terrain for research and emerging theory as the need to understand the role of not-for-profit organisations in civil society increases and the partnerships with the private and public sectors have become more complicated.

Each theory supports alternative notions of the not-for-profit sector as supplementary, complementary or adversarial to government (Boris & Steuerle 2006, p. 39). So-called negative theory frames not-for-profit organisations as deviant forms of for-profit entities, viewing them as inefficient because of the lack of profit motivation. In particular, it has been argued that management theories begin with a ‘negative accent and contribute to the paradoxical consensus position that not-for-profit action has no independent basis’ (Lohmann 1989, p. 368).

Lohmann suggests that this negative turn was a result of trying to use an inappropriate theoretical frame to try to understand the not-for-profit sector: that of economic theory grounded in philosophical utilitarianism. In seeking alternative concepts to capture the dynamics of the sector, Lohmann argues that not-for-profit work be thought of as common goods, with their own characteristics and blended meanings, that are not a part of ordinary economics. The idea was that the rational choice model or endowment theory might offer a more appropriate economic value theory of the not-for-profit sector to explain the exchange of goods and services that take place.
However, a number of theories highlight government failure, contract failure and the idea that the not-for-profit sector is gap-filling for the government or the for-profit sector. In the formulation of government failure theory—the first general economic theory developed specifically for the sector—Weisbord (1974, 1977) suggests that not-for-profits become private producers of public services because these services are undersupplied by government. This can occur even when government has originally stepped in to fill gaps created by profit-driven markets. Government failure in the provision of public services and goods can occur for a number of reasons, including lack of available resources and competing priorities in other sectors. This theoretical perspective perceives not-for-profits as adding value through mediating between citizens and government, having a closer knowledge of, and connection with, their local communities, even being seen by some as more innovative, efficient and effective (Carey & Riley 2012). It suggests that government can work in a partnership or in a contractual relationship with not-for-profits, encouraging more personal customised collective action through community voluntary effort, thus reducing costs and avoiding the inefficiencies of public bureaucracies. It can be difficult for the government to differentiate its services across the diverse groups within the population, but not-for-profits are knowledgeable about their own communities and, within limits, can customise services.

Government, on the other hand, in theory at least, aspires to provide equitable, uniform services to all its citizens, mostly with generic programs. However, it can be limited in how many new and innovative programs it can trial, which might reflect electoral cycles and controversies (Worth 2012, p. 49), and be constrained by equity considerations, bureaucratic procedures and the needs and demands of the majority. Government can also have a tendency to have short-term projects, creating a need for someone else to take on long-term projects. Citizens dissatisfied with the level of services are presumed to either purchase various market substitutes for public goods, or mobilise communities on a voluntary collective basis (Tiebout 1956; Weisbrod 1977).

Some (for example, Matsunaga, Yamauchi & Okuyama 2010) have pondered whether this then produces more not-for-profits in heterogeneous and more diverse populations, as well as variations in not-for-profit sector–government
relationships across different not-for-profit activities (Douglas 1987; Smith & Grongberg 2006). Others suggest that the realisation that not-for-profits have both considerable expertise and evidence-based models of intervention leads the government to reduce its own internal capacity and to rely more heavily on the not-for-profit sector (Lecy & Van Slyke 2012, p. 192).

Contract failure theory reflects the more general idea of market failure: the idea that under certain conditions, unrestricted competition between firms driven by profit fails to provide some services and goods efficiently. Carried over to the not-for-profit sector, this means that if left to the commercial market alone, the sector would be under-provided (Lecy & Van Slyke 2012, p. 191).

Contract failure is thought to be one of the conditions that creates market failure. Hansmann (1987) observes that this is the condition where consumers are unable to adequately assess the quantity or quality of services they are receiving; in essence, providers of services have more accurate information about the quality and cost of service being provided than do consumers. This can happen for several reasons: some services are inherently complex or their quality is hard to judge; the consumer is not competent to make this judgment; or the purchaser and the consumer are different people. Under these sorts of conditions, the economic value of services or goods is not transparent, consumers are not confident or able to make choices and the market is not able to operate efficiently. Arguably, these conditions apply across the areas of service delivery that have been taken up by the not-for-profit sector.

Brodkin and Young (1989) argue that contract failure is a strong rationale for government to prefer to use not-for-profits to deliver services in certain sectors of public and community interest. They argue that although private suppliers may have lower labour costs or be better at exploiting economies of scale, commercial contractors of government services might minimise service quality because of pressure to reduce costs (Domberger & Jensen 1997). There is some research that supports this perspective, including Ghandi’s (2012) review of several studies showing that not-for-profit hospitals in the United States of America are more likely to seek to maximise output and quality, as well as profit, compared to for-profit hospitals.
Earlier, Hansmann (1980) suggested that not-for-profits become trustworthy in the eyes of key stakeholders because of the ways they undertake selection and screening of their leaders. The essence of this argument is that potential leaders (and other staff) are attracted to the ideologies that drive not-for-profits and so will take reduced salaries and benefits. This self-selection was thought to enhance their credibility, in turn boosting consumer and supporter confidence (Easley & O’Hara 1983). Others have suggested that donors and consumers are more watchful (Ben-Ner 1986), more trustworthy and informed (Weisbrod 1988) and more confident (Steinberg & Gray 1993).

Economic theory has also been used at the micro-level to explore the drivers for giving time, money and effort to others. The economic perspective understands human identity and motivation in terms of the rational calculation of self-interest, and argues that effort and resources are expended by human beings in return for things that are of value to them, such as money, power and recognition:

> Giving is where the net worth of the giver (donor) decreases (at least temporarily) whilst the net worth of the recipient increases (Smith, Stebbins & Dover 2006, p. 98).

> By giving, which might also attract tax incentives, private resources augment public service provision responsibility and the state then forfeits both the right to choose where social donations go, and the revenue from the tax concessions of the donations, although it can still, if it chooses, regulate the rights and responsibilities of the stakeholders and support their relationships (O’Halloran 2011, pp. 14–15).

Bonner and Sprinkle (2002) have suggested that four theories, in particular, reflect this perspective: agency theory, expectancy theory, goal-setting theory and social cognitive theory. Agency theory (Kunz & Pfaff 2002) emphasises the rational consideration of the transfer of effort for rewards, where clear goals and priorities are assessed against the risks involved in achieving them. Self-interest is central to this theory, both in the formulation of desired goals and in the assessment of risk to the agent. Expectancy theory takes up a specific dimension of agency theory, focusing on the way expectations of return for effort affect effort and the calculations that people are thought to make about
the trade-offs between extra effort and the likelihood of extra return. And goal-setting theory (Locke & Latham 1990) takes this even further, exploring the ways in which personal goal-setting works when incentives and rewards can be calculated: incentives might lead people to set more challenging goals and to remain committed to them over time. Similarly, social cognitive theory (Bandura 1986, 1997) tries to explain the cognitive mechanisms that develop in, and are reinforced by, social contexts to drive behaviour in rational ways.

As Van Slyke (2006) points out, all these perspectives have to wrestle with the ways in which goals conflict or compete with one another, and in economic parlance, how the maximising of returns conflicts with the way individuals are prepared to deploy effort in a sustained way when other rational considerations come into play. More fundamentally, as Perrow (1986) and Donaldson (1990) have observed, they carry the limitation of understanding human behaviour as essentially self-seeking, without any consideration of altruism or sacrifice, while Upton (2009) has discussed the role of personality factors in determining the complex behaviours involved in voluntary effort where rewards are not calculated rationally. This line of thinking will be explored in the later section on psychological theories.

Political theories
The not-for-profit sector has also been considered through the lens of political theory. In the 19th century, sociologist and historian Alexis de Tocqueville (1835) initiated discussions about communities and citizens being able to remedy the tyranny of majorities. This was a significant recognition that government itself is a majority that mostly caters to the needs of the majority. As already noted, the sector has also grown significantly in social and economic significance, triggering growing recognition of government’s inability to cope with welfare issues without the assistance of substantial voluntary and philanthropic effort. At the same time, competition within the not-for-profit sector for donations of money and time, coupled with demands for accountability and good management from both the community and from government, complicate the relationship with elected government, in terms of respective roles, decision making, freedom of choice, accountability and shifting of risk.
Political theories explore the not-for-profit sector in a variety of ways, asking questions about the role it plays in democratic and political engagement. Clemens (2012) has observed that not-for-profit sector organisations are both problematic and potent for political theory, because of their potential to provide both the sites and the resources for political activity. Similarly, Powell and Steinberg (2006, p. 6) note the ‘disputed role of not-for-profit organizations in generating greater political participation’. At the same time, there is a concern among researchers that the so-called marketisation of the sector affects democracy and citizenship negatively:

the market-based model of public management, with its emphasis on entrepreneurialism and satisfying individual clients’ self-interest, is incompatible with democratic accountability, citizenship, and an emphasis on collective action for the public interest. Furthermore, the market model places little or no value on democratic ideals such as fairness and justice (Eikenberry & Kluver 2004, p. 132).

As with economic theory, calls are made for further development of political theories that are better suited to the complex political exchanges that are involved in government regulation of social goods and services created by the community itself. In Australia, it was intended that the ACNC would be able to contribute to a more up-to-date and cross-national database, which has hindered previous attempts to measure the sector in economic terms (Salamon & Anheier 1998; Nissan, Castano & Carrasco 2012) and to better appreciate the political significance of its contribution. Quite some time ago, Smith and Lipsky (1993) pondered whether the government should contract to not-for-profits instead of for-profits if evidence-based research revealed differences in their relative efficiencies. Such evidence would also serve to explore the provocations of commentators such as Steinberg (1993), who warned of the potential for profits to be taken in disguise.

**Sociological theories**

Sociological theories of the not-for-profit sector typically try to describe and explain its complexities in terms of the dynamics of community. The concept of ‘community’ has been said to refer to a ‘collectivity of people interacting in
networks, organizations and small groups within a more or less definable geographic area where the people carry out most of their daily activities accompanied by a sense of belonging to the collectivity’ (Smith, Stebbins & Dover 2006, p. 50). Sociological theories have been concerned with the ways in which not-for-profits relate to the wider social communities in which they are located, which create them and to which they contribute. So they consider the many relationships that operate between the not-for-profits and their many and varied stakeholders, and between themselves and other community organisations. They also attempt to understand not-for-profit organisations as communities themselves. As Ott and Dicke (2012) observe, sociologists have been prepared to develop thicker theories of the sector in order to do justice to the complexities that are left out of economic or political theories.

Berger and Neuhaus (1977) were among the first to point out the mediating role played by the not-for-profit sector in providing stability and meaning for individuals, and offsetting isolation and alienation. Along with neighbourhood, family and church, the voluntary sector works to make connections between individuals and the state, which make it possible for them to find their place and identity in viable ways. The voluntary sector does this when other mediating mechanisms have failed. These authors argue that the mediating role of all four needs to be more imaginatively recognised in public policy, and that in the US in particular, anti-big-government sentiments risk significant disempowerment and alienation of the individual. They argue that public policy should protect, foster and utilise mediating structures, seeing them as essential for a vital democratic society.

This is a perspective that reinforces the importance of thinking about the capacity of the not-for-profit sector to help enrich communities and societies from the bottom-up, to strengthen interpersonal ties, and build the confidence of individuals and groups to take effective action to transform their own lives and contexts. It encourages empowerment, individual freedom, initiative, pluralism and social diversity, taking the view that a powerful state that deals directly with individuals, with few enriching intermediaries, has the power to oppress and homogenise its citizens. A diversified range of mediating structures generates many answers to the questions ‘who am I?’ and ‘how shall I live?’ and ensures
a pluralism that ultimately sustains real democracy. It contrasts sharply with paradigms that see the not-for-profit sector as weakening the capacity of people and communities to look after themselves, and developing dependencies that work against the wellbeing, as well as the productivity of the nation-state.

As Smith and Lipsky (1993) observed much later, every country differs in the mix of community, government and business agencies responsible for creating its society and economy. The character and mix of these agencies varies over time, and with ideological and political systems. The community sector self-mobilises, identifying problems and focusing effort, time, money and influence to engage with them. The not-for-profit sector is thus a manifestation of community dynamics, and of the range of values and perspectives that inform those dynamics. Like Berger and Neuhaus (1977), Smith and Lipsky highlight the power of community effort—made up of myriad choices to participate, donate and volunteer—arguing that in a sense it precedes organised government. Paradoxically, it is central to a democratic way of life but also, in a sense, operates outside the intentions, mandates and strategies of government. While government in many countries seeks to regulate community effort, it certainly cannot be taken over or replicated by government. And this is not just because of its scale and dollar value: in its own way, it is a massive and sustained demonstration of the self-authorising power of the citizenry. It is this recognition that, for some, reinforces a view that government should not subsidise the not-for-profit sector because to do so will undermine its vitality (Paglin 1990).

What is harder to tease out is the subtly changing and myriad mutual expectations operating between not-for-profit sector agencies, the communities in which they operate, their stakeholders and the government. This arguably has remained an under-theorised and under-researched aspect of the dynamics of the not-for-profit sector. However, more contemporary ideas of social capital offer one way of doing that. Portes (1998, p. 4) has suggested that ‘social capital is one of the greatest exports from sociological theory into everyday language, even if the idea is not new’. The concept and theory of social capital has been talked about for over one hundred years across the areas of sociology, education and political economy, but has become particularly popular
since the 1990s. There are many definitions of social capital, but ‘the consensus is growing in the literature that social capital stands for the ability of actors to secure benefits by virtue of membership in social networks or other social structures’ (Portes 1998, p. 6).

The social theorist Pierre Bourdieu defined the concept of social capital as ‘the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition’ (1985, p. 248). This way of understanding social capital is not without its problems. If it is understood as a suite of goods, it can be competed for, and access to it can be excluded (Stephens 2008). It can be argued, however, that it must be understood as more than just a market exchange, because the norms and obligations attached to it are intangible: its ambiguity and lack of transparency are created by unspecified obligations, violation of reciprocity expectations and uncertain time horizons (Bourdieu 1979).

Robert Putnam, who was also influential in developing social capital theory, defined social capital as the ‘connections among individuals and social networks and the norms of reciprocity and trustworthiness that arise from them’ (2000, pp. 18–19), together with the core idea that social networks have value. Collective interest and recognition of a common fate, individual obligation to the community and feelings of bounded solidarity are all additional dimensions that have figured in the conceptual framing of social capital (Berger 2006; Coleman 1988; Portes 1998). From this perspective, communities are not just bounded by areas on a map or manifested in physical capital, such as a childcare centre or a park, but by the tendency for spontaneous sociability (Flick, Bittma & Dole 2002, p. 12). Some commentators make distinctions between personal capital that supports relationships, cultural capital that brings creativity to the cultural environment and social capital that brings people together to address issues of public and community concern (Herman & Associates 2005, p. 46).

Most conceptualisations of social capital focus on the relationships among the actors where opportunities, interests or resources are derived from those networks. Coleman, another leading sociologist on social capital, suggests that
there are two broad intellectual streams explaining social action: one is of a socialised actor governed by social norms, rules and obligations whilst the other is an actor whose goals are independently arrived at and who is wholly self-interested (1988, p. 94). Although economists favour the latter perspective, sociological perspectives focus on community dynamics of responsibility, trust, norms and networks that, through their presence or absence, affect the stability and sustainability of a community. So it is argued that high social capital leads to positive outcomes, such as economic development, lawful behaviour, and high numbers of citizens who vote.

In relation to the not-for-profit sector specifically, the importance of the idea of social capital is reflected in the claim that membership of not-for-profits and undertaking voluntary work is commonly used as a fundamental measurement of civic health (Portes 1998, pp. 19, 20). Civic disengagement has been flagged as being of huge concern to the not-for-profit sector:

In many Western countries the gap in income between the very wealthy and the very poor continues to grow. The young are increasingly hedonistic and less concerned with the welfare of the society in which they live. Re-engaging with this significant demographic will be an increasingly important goal for non-profit organizations in the coming years’ (Sargeant 2005, p. 18).

Portes, however, cautions against a simplistic assumption that powerful social connection is inherently and universally benign:

social ties can bring about greater control over wayward behavior and provide privileged access to resources; they can also restrict individual freedoms and bar outsiders from gaining access to the same resources through particularistic preferences. For this reason, it seems preferable to approach these manifold processes as social facts to be studied in all their complexity, rather than as examples of a value (1998, p. 22).

More recently, Earles and Lynn (2012) have offered a compelling commentary that profoundly challenges the impact on communities of the discourses and practices of both not-for-profit activity and human services provision more
generally. On the basis of their grass roots studies of local communities in Western Australia and Queensland, and their conceptualisation of physical and social geographies, they argue that both parochial and global/local discourses have been rupturing and dismembering human-services provision in local communities while even more fundamentally dividing and threatening communities’ experiences of identity and place. In taking this view, they reflect a longer standing perspective of Castells (1996, p. 428): ‘The dominant tendency is toward a horizon of networked, a historical space of flows, aiming at imposing its logic over scattered, segmented places, increasingly unrelated to each other, less and less able to share cultural codes’. Castells (1996, p. 477) argues that these tendencies create both placeless powers and powerless places by switching off nonessential functions, subordinating social groups and devaluing territories. Others agree:

We clearly need new discourses to articulate the wide variety of contemporary grassroots initiatives. The new discourses are not reinventing the wheel, as does the ‘education’ of the ‘social minorities’ … The people’s experiences are concretely located—or better yet, rooted in particular soils. They belong to local space and cultures. That is why the modern attempt to reduce them to a single global discourse is both impossible and preposterous (Esteva & Prakash 1998, p. 192).

Earles and Lynn’s own work shares the perspective that communities, places and organisations are ‘the arenas in which the local impacts of continuous global restructuring manifest themselves and are experienced by individuals and communities’ (2012, p. 15). Since these impacts are often mediated through organisational change and governance arrangements, they go on to respond to Esteva and Prakash’s call for new discourses by offering alternative language and conceptualisation of organisational capabilities that are explored later in this chapter.

**Psychological and other theories of giving and volunteerism**

As indicated already, some theories of giving have been heavily influenced by economic theory, which assumes that all agents in the economic system are
motivated by self-interest. Other theories of giving and volunteerism, however, explore the factors that motivate giving through the lenses of individual and collective psychology, and as a field incorporate the concepts of philanthropy and altruism. Whilst philanthropy involves action and behavioural expression, altruism represents concern for the welfare of others and being able to identify empathetically with them. It has been argued that both these dimensions of giving can be understood in terms of personal dispositions to giving and learned group norms and collective practices, although in practice, it might be impossible to unscramble the influence of individual and collective drivers.

Stewardship theory, which draws on both psychology and sociology, views behaviour in terms of the willingness of individuals to put the interests of others and of the collective ahead of self-interest (Davis et al. 1997; Merchant et al. 2002). It is a perspective that emphasises trust, the accepting of responsibility for others and the alignment of personal values with collective goals (Van Slyke 2006). At the level of the individual and the collective, religion can also be important in shaping the values and practices of caring and giving and can help to develop moral responsibility and pro-social behaviour (Wang, Yoshioka & Asfort 2012, p. 125). From Greco-Roman conceptions of community and citizenry to the English Poor Law of 1601, many cultures and religions still emphasise serving others and social responsibility (Worth 2012, p. 19). In religious contexts, the notion of giving is associated with contributing goods, money, services and time without the expectation that a similar benefit will be given in return. However, stewardship theory recognises the importance of relational reciprocity (Van Slyke 2006), and giving practices have also been explored in terms of ethnic practices that challenge this framing of giving.

Ethnic philanthropy consists primarily of people sharing modest or meagre wealth with other people, most of whom the givers know well (Smith, Shue, Vest & Villarreal 2012) through family and kinship. Obligation to the family and immediate community can be very important, and the generosity can be reciprocal. Thus, ethnic philanthropy focuses less on work with charitable institutions or impersonal donations that show up in tax returns and is more informal, needs based and involves the exchange of goods and services in kind (for example, some vegetables in return for physical labour). There may be an
implicit but powerful social contract that help will be reciprocated in the future if ever needed. More generally, when understood culturally, gift-giving rituals, honour and shame, respect and support will all have different definitions from culture to culture (Smith, Shue, Vest & Villarreal 2012, p. 309).

The motivators of giving, then, are varied and intertwined. Giving of time and money can be a personal affirmation: a genuine desire to see someone improve their lives. It can arise from personal experience of disadvantage or illness. It can be a way to express gratefulness and love, to be respected in the community, to gain a sense of belonging, identity, acceptance and recognition. It might represent the chance to meet people or reduce personal loneliness. Others give from a sense of morality and social responsibility, even to the point of it being a stoic endurance of a sense of obligation. Or people’s giving might reflect their family tradition or cultural heritage.

Giving can also be institutionalised through corporations and foundations who donate not only cash but ‘volunteer services; materials and supplies; the use of factory, automotive, and office equipment; factory or office space in a building; the use of intangible assets such as patents or copyrights; advertising time or space; and similar goods or services’ (Pynes 2011, p. 104). Changing wealth patterns since the time of the industrial revolution changed the traditional reliance on church and guilds for gifts of assistance. Pynes points out that in the late 1880s, the Pittsburg steel executive Andrew Carnegie changed the face of philanthropy in the United States through the establishment of a large organised and focused foundation that had the sole purpose of philanthropic effort. The transformation of Harvard University with the help of generous donors and the reform of charity laws and taxation protocols further redefined the role of philanthropy.

At first glance, giving allows individuals and collectives to express their civic responsibility, by taking on the burden of fixing societal issues and solving civil society problems. It helps people realise their ideals and display their cultural values (Ilchman, Katz & Queen 1998). It allows donors to impart and act on their individualistic conception of what a good society and a good life should look like. However, in practice, a multitude of differing stakeholders find ways
that they believe best to improve social cohesion, and ‘like any other arena, it becomes a location where cultural values and norms are contested. The way philanthropy is done, the way it is structured, and its preferred objects often become battlegrounds for other issues’ (Payton 1988, p. xiii). Wolpert (2012) has suggested that the role of giving remains open for debate and scrutiny, given that donors often benefit from their own generosity and that philanthropic activity of any kind is as open to the dynamics of self-interest as any other area of human activity.

Other theorists have raised similar questions around the motivators of giving: do philanthropists make gifts to exert control over society and do tax benefits encourage giving (Worth 2012)? Whether individual or institutional, giving can reflect ethically based behaviour and it can also be motivated by self-interest and the need for recognition, social position or control. Herman raised the idea of ‘tainted money’ (Herman & Associates 2005, p. 55), citing Carnegie and Rockefeller, who although generous in their philanthropic endeavours were not known for humane treatment of staff and competitors in business. Corporations that make philanthropic gifts might not see direct benefits to their bottom line, but often do so with the intention of a healthier society to do business in or an improved public image which supports their own strategic and business goals (Worth 2012, p. 270). And medical sociologists Fox and Swazey (1992) coined the term ‘the tyranny of the gift’ when patients who receive a kidney from a donor have immense gratitude that morphs into constricting obligation (Satel 2007). This sense of indebtedness can corrupt equality and create an unequal relationship characterised by feelings of resentment and betrayal (Smith 2012).

Some have argued that giving can, unintentionally, even add to the division between those who have and those who do not, because the motivation to give arises from specific and fragmented views of the territory of need. Not all communities are able to help themselves, and as long-term needs become more complex, and some communities become more—not less—isolated, the inherently fragmentary—and often local—nature of philanthropic activity is unable to counteract widening social and economic disparities. The not-for-profit sector is not so powerful as to radically redistribute wealth or eradicate poverty. This line of thinking contrasts with the propositions of negative
economic and political theory that the not-for-profit sector can effectively fill the gaps left by governments and markets. And others argue that private giving needs to be regulated in the public interest:

individuals are free to make an altruistic gift for the public good. The right to dispose of personal property freely, an important aspect of private law, has long been upheld as a key attribute of democracy, although it is also permissible in some other societies. When that right is exercised so as to redistribute private wealth voluntarily for public benefit, then that, together with the ancillary need to protect the value of the gift, makes the transaction a matter of public law to be regulated in the public interest (O’Hallaran 2012, p. 13).

The picture is made even more complicated as philanthropy is matched by advocacy that challenges political as well as social viewpoints. Maddison and Edgar (2008) explore the issues raised by advocacy in their examination of the Australian scene. Borrowing the perspective of political opportunity structure (Tarrow 1998), the taking of a political stance can be understood as an element of wider grassroots movements, one that can become problematic for all parties if those movements are critical of government policy or challenge other significant stakeholders. This issue is most obvious for organisations that identify themselves as primarily concerned with advocacy, with a deliberate and persistent intention of participating in political processes by influencing policies and laws, holding politicians and government agencies accountable, or influencing the voting patterns of constituencies. Maddison and Edgar explore the example of Australian women’s organisations since the 1970s to draw out the dynamics of relationships at state and federal level, noting the ongoing building and leveraging of relationships with other key stakeholders, such as trade unions, the skilful attacking of points of weakness and the identification of emerging—and sometimes transient—opportunities to influence the wider system. They observe that the environmental movement has taken up similar tactics subsequently. The key to success, they argue, is to understand the big picture and to be prepared to play the very long game.
Of equal interest, however, is the dilemma created for organisations which are directly dependent on government for funding or prescribed by regulatory frameworks, and which might also have an interest in political influence, if only in times of particular crises. The political treatment of the humanitarian, social and economic dimensions of those seeking asylum in Australia is a case in point, as is the examination of the role and identity of voluntary fire-fighters and their organisations in the extreme bushfires experienced in parts of Australia in recent years.

The notion of social entrepreneurship and venture philanthropy is another emerging form of contribution that is forcing a revisiting of the philanthropic arena (Herman & Associates 2005, p. 90). Dees’s (2007) review of social entrepreneurship notes the rise of social entrepreneurship in the USA in the 1980s and its potential as a powerful new driver of reform, initially under the leadership of individual social innovators and later through the establishment of major centres in universities such as Harvard and Stanford. Dees (2007) considers social entrepreneurship in the context of previous experiments in social organisation that have grappled with the problems of poverty and disadvantage, arguing that its great strength is that it provides society with greater opportunities to learn with less risk, greater flexibility and lower withdrawal costs. The distinctive feature of such efforts is that entrepreneurs do not see themselves as dealing in charitable work, if charity means perpetuating various forms of economic and social dependency. Rather, their concern is to create the capability and wherewithal for people to take care of themselves in ways that are sustainable. In Dees’s summation, the pragmatism of entrepreneurs, coupled with their innovative mindsets, ingenuity and a willingness to adapt the techniques of business, develop market-based approaches and persistently solve problems, make them a very different breed.

To these qualities could now be added the global reach of such initiatives through the Internet and the capacity for individuals and groups to quickly marshal significant amounts of money and effort.

As mentioned earlier in this chapter, commercialisation within the not-for-profit sector more generally is an increasingly significant feature, and one that also complicates understanding of what giving actually means. As Toepler (2004)
notes, the shortage of resources relative to need, combined with the costs of insurance and governance, have forced the adoption of commercial activities by many not-for-profits to some extent. Merchandising represents a very common form of this, in which donors are buying as well as giving. Toepler suggests that both commercialisation across the sector and the rise of social entrepreneurship specifically, call for new conceptualisations of what is meant by giving, both by donors and in the context of the business models of not-for-profit organisations. The rise of these new forms of activity also raises questions from the perspective of organisational theories of the sector, which are discussed in the next section.

Theories of organisation

Organisational theories of the not-for-profit sector attempt to understand stakeholder relationships, decision making and issues of structure, communication, culture and norms that occur distinctively in not-for-profit entities, and how they differ from organisations in the for-profit and government sectors.

The long history of organisations in the not-for-profit sector, encompassing many hundreds of thousands of instances (Weber 1905), is also instructive, suggesting that many not-for-profits began as an outgrowth of charitable work done within religious congregations, which spread in terms of social service beyond the religious community. Faith-based organisations still provide a significant amount of services to the sector, and in the USA this is particularly so in smaller communities (Bielefeld & Cleveland 2013, p. 468). The reach of these services extends to employment services, support for immigrants, and a variety of help in the health and prison services and in education. Over time, however, organisations have been established in the sector on the basis of a large range of secular values. Over the last twenty years, understanding of not-for-profit organisations has also needed to accommodate the blurring of the sector, as social entrepreneurial activity made its mark and as not-for-profits have undertaken money-making activities to supplement more traditional revenue sources. In addition, growth in the resources involved in the sector and changes in stakeholders’ expectations have also driven attempts to understand
not-for-profit sector organisations so that they can be managed and governed effectively. Theories of organisation in the not-for-profit sector have had to accommodate all these considerations.

Pfeffer and Salancik’s (1978) resource dependency theory has had particular relevance for not-for-profit sector organisations, speculating that the external resources that an organisation can command and upon which it depends to survive and function, profoundly affect its behaviour. Not-for-profits have relied on grants and contracts from the government, foundations and trusts as well as fundraising from individuals and corporations. Growing uncertainty and resource scarcity from traditional income, however, has led not-for-profit organisations to find new sources of revenue, resulting in a modification of their locus of dependence as they engage in commercial activity (Froelich 1999).

One of the key organisational issues is how to handle key stakeholder relationships implicated in the acquisition, monitoring and renegotiation of resources.

Principal Agent Theory (a specific application of agency theory referred to earlier) explains how one party (the risk-neutral principal) determines the work of the other party (the risk-averse agent). In circumstances of uncertainty and incomplete information, the theory suggests that two problems arise: adverse selection and moral hazard. This creates conditions where it is difficult to ascertain whether the agent is doing the work they are being paid for and if maximum effort is being expended. Stemming from economics, the theory is used to examine the accountability and monitoring (and at times adversarial) relationships that exist between not-for-profits and funders (Carman 2011, p. 252). These dimensions of organisation, framed from the perspective of rational economic theory, suggest that tensions ensue for values-based organisational processes (i.e. trust and reciprocity) and therefore cause challenges.

Other aspects of resource dependency theory explore the impacts of different levels of resource uncertainty on the levels and types of control required, and the degrees of centralised or decentralised organisation that need to be built into its design. Institutional theory specifically explores how environments ‘will
prompt organizations to adopt certain organization structures and processes in order to be perceived as more legitimate or successful’ (Carman 2011, p. 354). Organisations are thus profoundly influenced by institutional norms of governance, which is why many boards have similar practices and structures. The outcome is a ‘homogenous environment, an institutional isomorphism that promotes survival and provides legitimacy externally to stakeholders’ (Pynes 2011, p. 63). Neo-institutional theory (Powell & Di Maggio 1991) hypothesises that it is compliance with regulatory changes that causes charities to become similar to both each other and to for-profit organisations (Potter 2001, p. 17). Interestingly, this can also occur in reverse, as happens when for-profits, responding to the demands of stakeholders for greater social responsibility, take on activities that were once in the exclusive domain of not-for-profits such as cause-related marketing and foundation work (Wheeler 2008).

Theories of hybrid organisation try to accommodate this blurring of the boundaries between sectors. Hybrid organisations, however, are often described vaguely in the literature, and Billis (2010, p. 46) suggests that there needs to be a tougher conceptual approach to this phenomenon: ‘We appear to have stumbled into a period of intense organizational hybridity in which we appear to be drifting up the (welfare hybrid) creek not only without a paddle, but also without a reliable map’. In particular, not-for-profits need to find forms that can hold the business-like, bottom-line mentalities and the accounting and compliance regulations needed for credibility and viability while not undermining the heart and soul of the mission. This is a critical debate, made more serious by the proposition that good intentions are not enough in organisational design and operation, because those charities that do not perform will not survive (Wheeler 2008, p. 21).

Not-for-profit partnerships with a variety of stakeholders are one form of hybrid organisation that is becoming increasingly common. Some have assumed that collaboration with the government is the best option for efficiency. However, with revenue volatility, shifting giving preferences, and as government contracting changes and evolves, change is virtually inevitable, even if it is at odds with the mission (Smith & Lipsky 1993). When not-for-profits rely on funding from government, they lose the freedom to do as they wish and are
instead constrained by the priorities and goals of government and its administrative and accountability regulations and expectations.

Others have chosen for-profits to partner with, despite Froelisch’s (1999, p. 249) observation that there is still a lot to learn about the ultimate impact of commercial funding strategies on the structure, behaviour, philosophies and performance of not-for-profit organisations. The talk of mission drift or whether charities can maintain their focus on mission is even more evident where charities have chosen to begin commercial activities as an adaptation to evolving resource realities. There is growing concern that a winner-takes-all contest is causing both subtle and profound changes that distort the mission.

Drawing on the commercialisation of university research over thirty years ago, the blurring of boundaries and the politicisation of funding involved, Powell and Owen-Smith (1989, p. 270) forewarned that there is ‘no turning back to a less complex and contradictory era’.

Many not-for-profits are pursuing strategies of sourcing funding from the government, as well as additional income from ventures, as an alternative or supplement to traditional funding (Herman & Associates 2005). Undertaking commercial activity is a funding approach that is gaining increasing popularity: one that can be directly related to organisational mission while ensuring greater control over the revenues generated, and at the same time requiring the development of business acumen. As Sargeant (2005, p. 16) puts it: ‘hard nosed contractual negotiations and business deals now sit alongside the more traditional collecting tins and flag days’. Worth outlines not only the discipline required but also the deeper social impacts implicated:

Charities often choose to diversify and create several streams of income but become side-tracked and begin to focus intently on the additional income and profitability without enough thought to the problems and pitfalls that can arise. The reduction in stress and increased sustainability may seem the ideal solution to their problems but at stake is not only a distraction from the mission but more broadly, a weakening of civil society in general (Worth 2012, p. 315).
Some not-for-profits might have operational relationships and joint ventures with companies, where there are mutual interests. In these circumstances, some commentators argue that not-for-profits are suffering an identity crisis: ‘Left to their own devices, non-profit institutions have had little choice but to adjust to these pressures, but at some cost to the features that make them distinctive’ (Herman & Associates 2005, p. 96). Holland and Ritvo (2008, p. 152) warn that ‘trying to do everything that everyone wants is a sure route to frustration, and setting priorities clearly based on the mission is sometimes difficult. But as the saying goes, if you aren’t sure where you are going, then any route will work’.

Wheeler (2009, p. 24) adds that non-profits also must be in touch with the reality that most of these contributions or sponsorships come from a corporation’s advertising and/promotional budgets. Corporations want to do good and they want to help us advance our missions, but their primary goal is to make money.

For some not-for-profits, organisation structures have changed so radically that it is argued by many that they can no longer carry out their mission. Conflicts of mission and financial viability have seen some of them relinquish their charitable tax status altogether in order to free up their financial flexibility (Olson, Belohlav & Boyer 2005). The lure of extra money to support current services is rationalised, and society is still to see the long-term effect of these decisions. Wheeler (2009, p. 23) warns:

If you are having trouble telling the difference between for-profits and non-profits these days, you are certainly not alone. There is nothing less than a competition for mindshare going on between for-profits and non-profits. This is why non-profits must always stay true to the fact that they exist for a purpose beyond profit. Our missions—our deep, passionate commitments to our causes—are our beacons in the storm. The more the world changes and the more the lines blur between non-profits and for-profits, the more crucial it is for us to stay true to our missions.
This view is strongly shared by Judd, Robinson and Errington (2013), as were quoted in the previous chapter. Wheeler argues that there are deep dilemmas inherently in play here that will be a continuing source of serious tension for the not-for-profit sector.

Before leaving this section, it is important to return to the themes at both community and organisational level introduced earlier in the work of Earles and Lynn (2012). As the mediators of change, the shape and behaviour of organisations and their networks have a significant impact on the communities they serve. Theories of organisational dynamics capture some of those issues and complexities, being particularly concerned with how patterns of power, autonomy and interdependency play out in uncertain and turbulent conditions across the not-for-profit sector. And within not-for-profit organisations, the concerns include the dynamics of selectivity on the part of funders, competition for the limited funds available, the enforcement of regulations from funders, contests between the power of volunteers and staff to determine how their time and effort is used, and with the efforts of voluntary boards who are caught in the middle. These dynamics have prompted some to frame new models that might better capture the increasingly complex organisational dynamics of the not-for-profit sector. For example, instead of a neat, hierarchical model, Ott and Dicke (2012) liken not-for-profit organisations to atoms. Like an electron, constituencies help determine the shape, character and ultimately the survival of the organisation. As relationships and programs change, and stakeholders become closer to or move away from the organisation as they reduce or increase their participation, so too the paths of orbiting electrons create permanent changes. This is an interesting analogy and sits alongside other theoretical attempts to conceptualise the patterns of alternating stability and transformation that ensures long-term survival (Davis, Kee & Newcomer 2010).

Earles and Lynn (2012) also offer a compelling and very different perspective on this, suggesting that organising will be the death of organisations, in both the negative sense that it can stifle the very thing it wishes to create, and in the positive sense that organisations should have a limited life. They note the growing and significant literature on the theory and practice of collaborative and collective ways of reorganising human service provision. But they were also
motivated by what they saw as the 'limited studies of principles and logics for building collaborative structures within human service provision that enhance citizenship and civil society' (Earles & Lynn 2012, p. 125) to develop their own theory.

Their set of emergent principles and logics is so different from all the language that has been used so far in this chapter that it is worth quoting at length. First they offer a set of principles: what they refer to as the guiding sense of essential qualities of collective action:

*State of equanimity:* balance between engagement, negotiation, planning, action and reflection processes, use of emotional, intellectual, worldly and spiritual intelligences.

*Abstract fractal oneness:* a recognition of complexity, fractals inspire independent and interdependent temporal and spatial actions. They represent ‘the human mind holding the notion of the individual being fractally: both himself, his family, community, city, state, nation and humankind in its global entirety (Levick 2002, p. 171).

*Relational synergy:* an epiphanic connection generated through the stock of trust, identity and resources that exist between individuals, local organisations and groups, the energy that draws people together and inspires people to work beyond their normal boundaries and sense of responsibilities.

*Groundedness:* strategies and activities well-rooted in the communal and cultural soils of local groups, recognising the local context, local ownership, power and control, and local leadership.

*Conscious sustainability:* a conscious ability and process of continually reading the dynamics of a complex world and frequently reframing and reorganising the corporational components, according to the changes in those dynamics, in order to form, grow, evolve, reproduce, flourish or die according to its life course.
This includes a strong consciousness about not creating organisations or institutionalising them or incorporating them, a recognition of using what exists in an epiphytal way and not being a burden on an organisation. Of developing a sustainable model, using their infrastructure and connections and a recognition that things should end when they have done their job and not exist for the sake of it (Earles & Lynn 2012, pp. 133–40).

Logics are the basic design elements for the form (or lack of it) of collaborative practice; not one form or one perfect model; many collaborations that are ephemeral, not structures or legal things:

Liminal: open, unfinished, decentred: a mental, emotional, spiritual, physical space of possibility and transition, in which the participants are in transition from one place of meaning and action to another.

A space that is a storehouse of possibilities, a space of movement and difference. A gestation process where the established order of service-delivery can be turned upside down so that new possibilities can emerge. Builds on the ideas of Turner (1982, p. 113) that the liminal period is that time and space betwixt and between one context of meaning and action and another. It is when the initiand is neither what he has been nor what he will be.

A space beyond an information-sharing network, in which to be able to think differently, outside and beyond the ordinary. A latent space that exists for a moment, that is here and not here.

Edge space: the living space between various bodies and entities. Zones of interaction, and possibility between overlapping organisational systems, not controlled by either party. A strategic collectiveness that is not the same as umbrella bodies and requires a different conception of governance.

Synergistic goals and actions: an open and honest combining of goals to impact greater than the sum of the parts; implementable ideas that may be different but are not in conflict; more than just networks.
Transformational capabilities: includes energy, continuity and critical enablers, such as key actors, champions, workers and drivers and wider capabilities and infrastructure that can activate and sustain organisational and collaborative endeavours.

Authentic power: a multi-directional and multi-level flow of power that is diffused/expressed through multiple sites to enable ‘shared power with’ rather than ‘power over’. Local decision-making that is non-pyramidal and people-driven: the power comes from doing things together; so a decision can be taken by a group but it has no authenticity if nobody is prepared to carry it out. Authenticity can also come from no action e.g. refusing to do what a funding body wants (Earles & Lynn 2012, pp. 140–57).

These are richly generative ideas that are introduced here simply to indicate the sort of theorising that is now emerging in relation to organisation in the third sector. They will be revisited again in the last chapter of this thesis, in an exploration of leadership behaviours and development.

**Management and leadership theories**

The treatment of management and leadership practices in the literature on the not-for-profit sector offers an interesting window on the way in which management of organisations in the sector has been conceptualised. Their focus reflects the view that ‘sound strategic planning, accounting and auditing and financial management are now general societal expectations of not-for-profits’ (Irvine 2000, p. 2) and that managers and leaders need the same kind of preparation in these fields as their corporate counterparts. Herman & Associates (2005) *The Jossey-Bass Handbook on Nonprofit Leadership and Management*, Seaman and Young’s (2010) *Handbook of Research on Nonprofits and Economic Management* and Heyman’s (2011) *Nonprofit Management 101* provide excellent examples of this. Hudson’s (2009) *Managing without Profit: Leadership, Management and Governance of Third Sector Organisations in Australia* is an updated version of his earlier book (2005) especially adapted for Australia. But it is still a book that substantially offers the language of the corporate sector to the not-for-profit sector. Tschirhart
and Bielefeld's (2012) *Managing Non-profit Organisations* is more obviously customised to the sector, and Rowe and Dato-on's (2013) *Introduction to Non-profit Management* has the great advantage of offering many cases that are directly drawn from the sector.

These books certainly reflect attempts at the single global discourse that Esteva and Prakash (1998, p. 192) were concerned about. A very striking example of this occurs in the area of human resources management: the management of volunteers, and the challenges of recruiting, affording and retaining paid staff.

The view that voluntary effort needs to be deliberately and professionally managed as an important dimension of not-for-profit organisational activity is revealed in the language that is used. Volunteers need to be recruited and their effective involvement ‘demands a planned and organised process similar to that required by any organisational project or effort’ (McCurley 2005, p. 587). So advice is offered on the way to determine the number and type of volunteers needed and their defined roles; on targeted ways to recruit them, and on screening and legal procedures; on how they are to be supervised, motivated and controlled, and on how they might negatively affect paid workers. Given the numbers involved, which amount to many millions around the world, the scale of the task of effectively deploying their effort is a significant one, and one that clearly calls for organisational effort. In the light of the discussion earlier in this chapter on theories of giving and volunteerism, however, it is interesting that voluntary effort is represented primarily as a resource to be dealt with through conventional techniques of human resources management, rather than an opportunity for leadership and innovative practice.

Some years ago Nisbet and Wallace (2007) noted the paucity of academic writing that recognises that the management of volunteers requires distinctive and sensitive approaches, and this situation does not appear to have changed much in subsequent years. Nisbet and Wallace themselves offered one of the very few research studies on the workplace practices of leaders of volunteers. The study presented self-reports by the leaders. Their descriptions highlighted the importance of sensitivity to the needs and aspirations of volunteers, the role of mentoring, the need for particular care in educating and training volunteers,
and the investment of serious and sustained effort in relationship building. These leaders also noted some negative attitudes on the part of paid workers towards volunteers and the challenges created in building cohesive and constructive cultures. While there continue to be many advice columns on the Internet written by practitioners, both research on practice and relevant theoretical discourse remains sparse. Isolated studies on such topics as the development of online communities of volunteers (McWilliam 2000), and the management of aging volunteers (Megan 2009), however, suggest emerging and valuable possibilities for both research and practice.

The issue of attracting, affording and retaining salaried staff has, however, attracted attention in the industry literature. It is one that grows more significant, as many organisations struggle with limited and cyclical budgets while the need for skilled professionals across a range of domains increases. A particular, but by no means singular, example is in the area of information technology:

Technology has advanced at staggering rates and charities have had to scramble to source additional funding for qualified IT staff and training, as well as understanding the important role of technology. Not all charities have the capacity to be innovative and up to date in staff, hardware and software capabilities (Pynes 2011, p. 20).

Issues to do with salaried staff mostly attract practical rather than theoretical treatment in the literature.

Textbooks examined seemed to adopt a largely corporate approach to the topic. Other striking examples of the adoption of corporate thinking are in the area of leadership governance in the sector. And in those areas the academic literature also reflects the dominance of the corporate perspective. It is not surprising that leadership and governance theory and practice have emerged as a major focus of interest for the sector: human activity of such scale, global reach and significant impact attracts an understandable interest in its management. Chapter Six returns to the literature on leadership and governance in much more detail in the inductive theorising of the data created in this thesis project. However, it needs to be acknowledged here that, like the sector itself, governance is difficult to define and the literature is seldom explicit
on this point (Ostrower & Stone 2006). Not only is it poorly defined, but it is used to describe different phenomena. The most common usage, however, is to refer to corporate or organisational governance: that is, the direction and control of the organisation and the meeting of its obligations for external accountability (Hodges et al. 1996, p. 7). Organisational governance as a process includes the systems and mechanisms that assist in doing these things. Ostrower and Stone observe in their comprehensive review of the literature that the role of boards in the sector has been the major focus of interest in not-for-profit governance.

In the early 1990s, an attempt was made to recognise that theoretical understandings of governance developed in the corporate sector could not be assumed to apply to the not-for-profit sector in an uncomplicated way. Ott’s (1993) offering of the atom analogy model (mentioned earlier) was an important individual attempt to theorise the essentially different nature of voluntary not-for-profit organisations and their governance. Ott’s goal in articulating the model was founded on his argument that, despite the particular and known complexities of the sector, conceptions of private sector governance had, in fact, been simplistically overlaid on the not-for-profit sector. He argued that assumptions that boards of directors have authority over staff, and that staff are dependent upon them for vision, direction, resourcing and permission to act, are so pervasive that even within the not-for-profit sector, they simply dominate the way people see things:

I propose that we have great difficulty conceiving of a non-profit organisation that does not have a board of directors with the “divine right” (Schein 1989) to make fundamental decisions that affect other constituencies’ abilities to satisfy their interests—whether or not the directors have credibility, sensitivity, or knowledge of the issues they decide. We simply assume that boards are responsible for core identity-creating and maintaining functions including strategic planning, and establishing and articulating organisational goals and policies. And assumptions create realities’ (Ott 1993, p. 6).

Ott’s atom analogy was an attempt to challenge this simplistic and hierarchical model, by pointing out that directors cannot necessarily speak or act with
authority on behalf of not-for-profit organisations, that many constituents actively participate in a range of ways in creating and enacting the core identity and success of these organisations, and that many of those actors are free to either offer their energy to the work of the organisation or withdraw it as they see fit.

There have been other early examples of attempts to think differently about governance in the sector. Democratic perspectives (Habermas 1984) looked to the concepts of citizen representation and engagement, the nature of constituencies and how these affect the intentions and activities of organisations. Critical theories (Brookfield 2005) have been used to explore the power dynamics of governance relationships: the processes through which some voices and interests are brought to the table while others are ignored or marginalised; the ways in which some are held to account and others are not; some are privileged in their access and authority while some are excluded or discriminated against. These perspectives also explore the dynamics of systemic inequities and oppression. And the stimulating thinking of Earles and Lynn (2012) has already been described at some length.

This kind of more nuanced thinking, however, has taken some time to be reflected in the literature more generally. Indeed, it has been argued that in stark contrast to the dynamics of the sector as a whole, its management and governance have attracted a relatively narrow range of theorising (Puyvelde et al. 2012). That theorising is now challenged to adequately describe and explain the complex dynamics of the sector as a whole, particularly its relational and systemic character, produced by evolving and multiple dependencies, partnerships and competitive arrangements with government, the private sector and with other not-for-profit organisations. Indeed, it has been suggested governance issues can no longer be understood simply at the organisational level (Renz 2006). This poses not only a challenge to the academic community to reframe its conceptualisation of the dynamics of the sector but a considerable practical challenge for those who lead and manage individual organisations.

Cornforth and Brown (2014) have very recently offered a challenging agenda for governance research and theorising in the sector. They contend that a broad
range of other theoretical perspectives can be drawn upon and they point to some work that is already in progress. Systemically, quite new and innovative theoretical models can be developed to frame governance in terms of community engagement. Using action research, Freiwirth (2014) has trialled a framework that uses the principles of participatory democracy and community decision making to assist not-for-profit organisations in being more responsive to their constituency. This framework uses contingency theory as a major touchstone: the view that rejects the notion that there is one ideal or best way to organise (Bradshaw 2009). On another front, Mullin’s (2014) evolutionary change approach takes a big-picture, longitudinal perspective that combines three different lenses to understand governance practices: developments in macro regulatory and financial environments; the micro life-cycle dynamics of the individual organisation; and the internal politics associated with organisational change.

Quite apart from its lack of systemic sophistication, Cornforth and Brown offer another serious criticism of governance research: that it has been so focused on the top levels of board management that the ways in which governance is enacted at other levels of organisation, and by other actors, have been relatively neglected. Current research has largely continued to explore the composition of boards, their roles and responsibilities, the relationships between boards and managers and staff, and between board effectiveness and organisational effectiveness. Again, they pose new research questions: How do different parts of the governance system relate to each other? What is the nature of the contributions made by other actors such as chief executive officers, managers, staff and members of advisory groups? These questions serve to challenge the traditional focus on the board alone, and the hierarchical dynamics often assumed in models of their operation (Cornforth & Brown 2014, p. 5).

**Conclusion**

As suggested at the outset of this chapter, the diversity and range of theorising the not-for-profit sector is both stimulating and daunting for those who seek to understand it, as well as for those who seek to participate actively in it.
It is not surprising, then, that relatively few attempts have been made to develop integrating theories that bring together different levels or disciplinary perspectives, even though individual theories sometimes draw on different disciplinary perspectives. For example, Seaman and Young’s (2010) book on not-for-profit economics and management chooses twenty-two articles on economics and the use of scarce resources in the sector that demonstrate ‘interdisciplinary cross-fertilization’ (p. xii). It is also not surprising that theories of governance have focused on the board as a collective, since a practical way to engage with complexity is to draw on collective wisdom, rather than rely on the individualistic and heroic models of leadership traditionally favoured by the corporate sector (De Church et al. 2010; Van Knippenberg & Sitkin 2013).

When theories abound about a domain, both practice and theory present an abundance of opportunities for research. Diversity and fragmentation of theory also make it difficult to pose a coherent and meaningful predictive question based on theory that could be answered through a single data set, a point also made, subsequent to the design of this study, by Cornforth and Brown (2014). What did seem obvious was that the diversity of the theory matched the diverse issues the practice field as identified by commentators on it. And that despite its theoretical and practical challenges, people working in the sector try to make sense of the issues that face them every day of the week. Boards, leaders and leadership teams try to make sufficient sense of things to make decisions themselves or to guide the decisions and actions of others. It seemed reasonable, then, to pose the question: How do those people make sense of the dynamics of the sector? And is their understanding as fragmentary and diverse as that of theorists? Further, how might their perceptions and experience inform or enrich theory, commentary and even policy relating to the sector?

These questions in turn suggested possibilities for the design of the next stage of this research: the creation of a data set that could throw light on the operation and dynamics of the sector in Australia at this time. The study that was eventually developed had the following areas of focus:
• How might first-hand accounts of the contemporary experiences and perceptions of CEOs of Australian not-for-profit organisations inform both theoretical and practical understanding of the sector?

• Specifically, how do CEOs articulate and interpret the contemporary challenges of positioning charities in receipt of funding from government as sustainable organisations in demanding and changing contexts?

• And what are the ways in which they attempt to engage with those challenges?
CHAPTER 3

METHODOLOGY OF THE STUDY

This chapter describes the study’s methodology. It begins by re-stating the purpose of the research and describing the methods used by others who have researched in this area. It then presents the design of the study and its culture of inquiry, and describes the sample created, and the interview questions employed. It also describes the way in which the analysis was undertaken and presented. It concludes with a critique of the strengths and weaknesses of the study.

The intent of the inquiry

As the first two chapters have indicated, the not-for-profit sector across the world is characterised by many ambiguities regarding its nature and operation. These ambiguities have become even more obvious as parts of the sector receive significant funding from government and undertake a range of important services on its behalf, and as some organisations take on business identities, establish social enterprises and become concerned with their profitability. It was only in June 2013 that a single national definition of a charity was established in Australian legislation, through the passing of the Charities Act 2013 and charities comprise only one element of the not-for-profit sector. Nonetheless, the aspirations of the sector do distinguish it from others, even if the means to those ends are no longer so distinctive.

The intent of this study was to explore the ways in which chief executive officers in the Australian not-for-profit sector make sense of the ambiguities of the sector and the changes that have taken place in very recent years. It asked the following questions:

• How do first-hand accounts of the contemporary experiences and perceptions of CEOs of Victorian charities inform both theoretical and practical understanding of the sector?
• And how do they inform theoretical and practical understanding of practices that can enhance the governance and management of the sector?

Given the growing commentary on the challenging nature of those issues, both within the sector and in the academy, the time seemed ripe to talk with those who must deal with them every day. So the study focused on how leaders themselves describe the challenges they face in leading and what they say about the ways in which they try to engage with such challenges. As the first chapter indicated, the dynamics of the not-for-profit sector in Australia have been thoroughly and relatively recently explored in the extensive report of the Australian Productivity Commission (Productivity Commission 2010) commissioned by the then federal government. The report was followed by the establishment of the Australian Charities and Not-for-profits Commission, an intervention that had the potential to have significant impacts on the sector. There had been no published studies of the ways in which chief executive officers had been experiencing the sector since the Commission began operation and the commencement of this study. Charities represent a subset of not-for-profit organisations that are particularly affected by the government’s reform agenda, since they not only have to be registered to be eligible for tax concessions for donors, but are applicants for government funding in many cases too. And as the previous chapters highlighted, although theorising of the sector generally has been undertaken from a range of disciplinary perspectives over several decades and across the developed world, the theoretical frames used to study governance and management issues have reflected a much narrower spectrum. Finally, studies of governance and management within the sector have focused substantially on the operation of boards, with relatively limited interest in the contributions and perspectives of other actors (Cornforth 2012). Indeed, there have been very few studies that included first-hand accounts of how chief executive officers experience and perceive the sector and the work they do within it.

All these considerations guided not only the choice of topic but also the methodological approach. Given that there has been little conceptual literature
to suggest how chief executive officers of charities in Australia might be experiencing the sector, and that arguably they are still adjusting to the presence of the new Commission, there seemed to be little point in speculating about their responses, so an inductive approach was selected. The study began with a broad, generative question that provides the focus of the inquiry. Instead of framing a specific hypothesis, following a review of the literature, it identified why the topic is important and crafted the rationale for creating a particular data set. The overall research question was teased out to pose a series of open-ended questions that could be answered without pre-judging what the answers could or should be. A first interpretation of the answers to the questions was then developed, using an approach that can be concretely described and critiqued. The interpretations developed by the researcher, however, were offered as a specific but tentative reading of the data. The inductive design required that they be taken back to the literature with two ends in view. The first was to consider how existing theories could assist in the interpretation offered, and if necessary to locate different theories—including those from other fields—that enabled a richer and more complete interpretation to be made. The second was to consider whether the reading of the data developed by the researcher could also suggest gaps in current theoretical framing, and opportunities to build on the concepts in use.

The culture of inquiry

The research was positioned as a constructivist, interpretativist and inductive inquiry. Interpretative inquiry involves the construction and crafting of meaning from the words of others (Denzin & Lincoln 2003). Interpretive inquiry has a number of characteristics that have been articulated by Glaser and Strauss (1967), Green (1996) and Lincoln and Guba (1985), among others. It focuses on the ways in which human beings socially construct their personal and collective realities, and the particular social, cultural and political contexts, which contain and shape that construction. The context of each inquiry is key to its design, in terms of the ways in which data sets are created and the sense-making processes that are used to understand them.
The study described here took a constructivist interpretativist view, one that emphasises ‘discourse as the vehicle through which the self and the world are articulated’ (Tuominen, Talja & Savolainen 2002, p. 273); and assumes that ‘the things we hold as facts are materially, rhetorically, and discursively crafted in institutionalised social practices’ (p. 273). This perspective does not see language as separate from people, and it does not see language as a neutral medium operating between the individual and the world. People’s accounts are not taken to be transparent representations of the events they describe or even of their own mental states and attitudes. So it does not make the assumption that any individual person will represent people, situations and events in ways that are consistent over time. Rather, language is something that allows the creation of multiple versions of events, depending on the purpose that people have in mind when they speak or write. For example, the accounts one gives to a close friend of one’s behaviour might be markedly different from those offered to an authority figure.

This makes quite a difference to how truth and faithfulness are understood in a research sense. Unlike approaches that discount variation within and across accounts, or seek to aggregate text into categories, the constructivist interpretativist perspective values and surfaces the irregularities and messiness in people’s commentaries. ‘Regularity within the accounts of a single individual is therefore less interesting than the regularity that exists in the elements used by different speakers to describe the same person, event, or thing’ (Wetherell & Potter 1988, p. 171).

The accounts offered by the individuals who are interviewed or observed in action become the primary object of research, rather than being understood as transparent representations of a person’s beliefs or attitudes, or as revealing the true nature of events or situations. The researcher works with extended examples of language as people actually use it (captured in transcripts or audio-texts) rather than summaries or paraphrases. Texts become artefacts in their own right, analysed by others, who construct, offer and defend their own reading of the texts. In the research context, this also means carefully acknowledging the social and cultural context of the speakers or actors.
In essence then, in constructivist interpretative inquiry, human beings are the instrument of study, not just the subject of it, and their data are created, not found or revealed, which contrasts with positivist and post-positivist perspectives that construe both physical and social reality in terms of discoverable facts and laws. And the complexity, ‘noise’, variation and contradictions in humans’ descriptions of their experiences are dimensions that are not to be eliminated or smoothed over but made figural. So multidisciplinary and multi-vocal perspectives are valued, and ideographic, rather than nomothetic, sense-making is the norm. Sampling is usually purposive rather than representative, and sample size is decided on the basis of saturation: the point at which no additional dimensions are discerned in the data.

In this culture of inquiry, research design is seen as emergent and as work continually in progress. And the researcher is regarded as a craftsperson (Kvale 1996) who negotiates and navigates complexity and uncertainty, and is continually making choices about how to proceed, as well as what to put on the record. Eisner (1991) has suggested that interpretive work can usefully be thought of as forming a continuum from technical approaches to the exercise of connoisseurship. More technical interpretation involves relatively uncontested grouping of pre-determined data displays. The next point on the continuum involves the development of codebooks through analysis of a sub-set of the data, which are then used formally to guide the analysis of the rest of the data. Beyond that, interpretative work can involve holistic reading of transcripts, the construction of categories followed by grouping into themes, or the crafting of narratives that re-state and generalise elements of the reading. The next level of interpretation involves critical and discursive readings of transcripts.

On Eisner’s continuum, the role of this researcher involved crafting meaning (Kvale 1996) through an initial holistic reading of the transcripts and the development of themes. The researcher uses extensively the words of those interviewed, to capture the full range and nuances of their commentary. In this respect, the approach resonates with those used and described by Earles and Lynn (2012), who present solid accounts of the conversations they held over a number of years with those involved in community programs in Western
Australia and Queensland. Their effective use of grounded approaches resulted in the development of constructs that would do justice to the complexity of those engagements. In particular, it gave them an excellent and transparent basis for constructing new language and constructs that are sensitive and sophisticated, and that robustly challenge the disruptive and parochial effects of managerialism in the not-for-profit sector.

Interpretive work can engage with theory in ways that are deductive, inductive or abductive and iterative combinations of these. This study was inductive in its use of theory, rather than deductive. Inductive studies ask generative, open-ended questions that are intended to open up a new area for exploration or create the possibility for fresh perspectives on one that has been thoroughly explored in the past. It was used in this thesis because a preliminary review of the literature revealed that multiple theoretical and practice-based perspectives had been engaged in efforts to understand the not-for-profit sector as a whole. This in itself suggests that the phenomena involved are multi-faceted and complex. At the same time, it has been suggested that there are still gaps in the ways that leadership, governance and management are theorised in the sector. There have been few similar studies reported in the literature, and none in Australia since the introduction of the ACNC and the commencement of this study. For all these reasons, it seemed arbitrary and restrictive to speculate about or try to predict what CEOs would say.

Inductive studies generally access the literature in a particular way: using it to determine the extent to which a phenomenon has been articulated previously, the questions that have been asked and the range of ways in which a topic has been theorised and researched methodologically. Used inductively, the literature justifies the research problem, but it does not lead to the questions asked in the study, nor make predictions about what will be created or found (Creswell 2005, p. 46). Often the way the literature is presented initially is to demonstrate how the issue or phenomenon has been theorised from a range of perspectives, how those theories relate to one another and the connections that have been made through the creation of meta-frameworks. Complex or ambiguous phenomena might have attracted attention from a range of very different disciplinary perspectives over a long period of time, without resolution
of the key issues. This has happened in the fields of organisational and political leadership, business strategy, town planning and environmental sustainability, which are all areas in which theories abound and are regularly and enthusiastically contested. When a research project explores issues of practical as well as theoretical concern, industry literature and commentary can also be relevant in contextualising the scale and significance of the issues involved, and the range of public and private stakeholder experiences and viewpoints in play (Stringer & Genat 2004). The literature also describes the research approaches that have been used, ranging from the ontological and epistemological assumptions made, the cultures of inquiry employed, the intentions and ideological commitments of the researchers, and the specific tools that have been used. It suggests gaps and possibilities relating to the how as well as the what of the study.

All these sorts of engagement with the literature are emergent, rather than directive (Stringer & Dwyer 2005), embedded in ongoing process rather than a point of departure or conclusion, guiding the continuing design of the study. Very often, the description of the methodology can be completed only when the study itself is completed.

Once data sets are created, the expectation is that they will be read with as clear a mind as possible, so that sense-making processes are guided by the protocols of the chosen interpretive method, rather than the way theory dictates or suggests it should be in interpreted. As Silverman (2000) notes, a second literature review is then prepared, in which the initial reading of the data is enriched by both revisiting the theoretical perspectives already described and finding new perspectives that might further describe and explain the issues framed in the researcher’s own reading. This enriched reading of the data might also suggest ways in which theory needs to be challenged, modified or extended (Stringer & Dwyer 2005). In summary, this is an iterative approach, where an issue is taken from the general to the particular, reconceptualised to allow both further understanding of the particular and the possibility of generalisation to other settings (Butler Shay 2004).
For research of this kind, rigour is sought both substantively (the credibility of the content) and methodologically (the capacity to transparently describe and critique the process). The credibility, integrity and authenticity of the research can be developed through using several different forms of data creation; co-creating and debating meaning with the practice community; bringing into play both historical and current understandings; being vigilant regarding the lenses brought to the work by the researcher; being honest about the researcher’s motives in undertaking the work; being transparent about the researcher’s journey of thinking and how it is changed by her experience of the journey; and transparency about the methods used to form interpretations and develop arguments so that others can replicate, modify or critique the method (Green 1996; Lincoln & Guba 1985).

Interpretive inductive inquiry requires great care, presenting many challenges and potential pitfalls. Even broad, open-ended and generative research questions, when turned into triggers for interviews and focus groups, are leading questions in the sense that they direct attention to some things and not others. People being interviewed often try to sound consistent or knowledgeable or coherent, resulting in rather smoother presentations of their thinking and representations of their practice than might actually be enacted: ‘differences between practical consciousness and discursive consciousness as well as the unconscious motivations, tied to memory, which operate below the non-discursive level as an indirect motivation for action and belief’ (Trowler 2012, p. 280).

Another challenge is the temptation to ‘impose theory onto the words of participants; ventriloquating or editing participants to speak the theory; or occluding the complicated, sometimes contradictory narratives of participants in order to fit with well-ironed theory’ (Fine 2009, pp. 192–3). Interpretations should be offered as tentative and suggestive, inviting the kind of reinterpretation and reconceptualisation that Shay (2004) had in mind, the notion of work continually in progress (Green 1996). Given these pitfalls, transparency about the way in which meaning was constructed by the researcher is fundamental in surfacing the strengths and weaknesses of the study.
The creation of the data set

In-depth interviews were used to explore the ways in which chief executive officers (CEOs) articulated and interpreted the contemporary challenges of positioning charities as sustainable organisations in demanding and changing contexts; and the ways in which they attempt to manage those challenges. The Productivity Commission Research Report (2010, p. xxiii) has estimated that there are at least 600,000 not-for-profit organisations in Australia, although the number of registered charities in Australia is estimated at only 56,000 (ACNC, Fact Sheet, 2013). Registration of charities in Australia is not compulsory but makes an organisation eligible for tax concessions. As a point of interest, the Charities Act 2013, passed by the Commonwealth Government, which came into effect in January 2014, created the first national standard definition of a charity, so a standard national definition was not available at the time this study was undertaken. Instead, only charities registered with the Australian Taxation Office for purposes of tax concessions were approached for this study.

It was beyond the realistic possibilities of this study to construct a representative sample of all of them, or indeed to construct a truly representative sample at all. All those charities approached were located in Victoria because the researcher lives and works in that state, and is the mother of young children who could not be left for extended periods of time. This reduced the potential pool of registered charities to 15,080 (ACNC employee, personal correspondence, 10 December 2013).

The study targeted Victorian charities that undertake social and community services. It excluded educational institutions, hospitals or sporting organisations in order to focus the range of charitable work being discussed. About 43 per cent of Australian charities fall into the category of having social or community services as their main purpose (ACNC 2014), but it was impossible to obtain accurate figures for Victoria. All those approached gained at least one quarter of their funding from government sources and raised at least $500,000 in funding per year from donations. Across Australia, only 18 per cent of registered charities receive funding from government and only 15 per cent raise
$500,000 or more from donations (ACNC employee, personal correspondence, 10 December 2013), which indicates that most are in fact very small operations.

Despite making direct contact with the ACNC, the best estimate that could be made is that 8–15 per cent of all registered Australian charities meet all the criteria specified for this study’s sample. In Victoria, this would translate into between 1,200 and 2,200 organisations.

Potential participants were found initially by consulting the Victorian Council of Social Service (VCOSS) website that provides a complete listing of its member organisations, and later by following up numerous charity flyers that were displayed in the reception areas of organisations whose CEOs had already agreed to be interviewed. The researcher then searched for registered charities that met the criteria listed earlier. This entailed obtaining and reading the organisations’ annual reports, which ranged in size from a few pages to nearly fifty pages. Some did not contain the financial data needed, being used more as a marketing or communications tool. Once the organisation was deemed to fit the criteria, the charitable status of the organisation was also checked via the Australian Business Register. This confirmed the tax status of the organisation and Deductibility Gift Recipient Status (DGR). Finally, the researcher excluded any in which she had previously worked in a paid or voluntary capacity. This overall approach is an example of convenience sampling (Saunders, Lewis & Thornhill 2009).

A total of 308 Victorian charities were identified and researched through these processes, and of these, 62 organisations met all the criteria. They were sent a letter in the mail requesting an interview with the CEO, and 41 of these accepted. This element of the study required ethics approval, and the ‘Application for ethics approval of a research protocol’ from Swinburne University of Technology appears at Appendix 1. The letter seeking the participation of individuals in the study (the consent information statement and letters) is at Appendix 2. The signed consent form is at Appendix 3. The approval from the Swinburne University of Technology Ethics Committee is at Appendix 4. The researcher did not seek any more participants after completing
the 41 interviews, as she concluded that the sample had reached saturation point: that is, no new themes were being raised at that stage.

The charities led by the CEOs included both religious and non-religious organisations, and encompassed a cross-section of small, medium and large charities. The ACNC Act defines a small charity as those organisations with annual revenue of less than $250,000 and a large charity as one that raises more than $1 million each year. The breakdown of charities in the sample was: 0 small charities; 4 medium charities and 37 large charities. Twenty-three CEOs were male and eighteen were female. Table 1 sets out the gender mix of the CEOs, and the size and nature of their charities.

The interview was semi-structured through a series of trigger questions designed to encourage more in-depth discussion of topics as they arose. The triggers were:

- Do you see significant changes occurring in the not-for-profit sector? What are they? How do they affect you? How do you engage with them?
- How do the expectations of your stakeholders create opportunities and challenges for you? Give some examples.
- To whom do you feel you are primarily accountable? Give examples.
- What have you found are the most productive ways of resolving some of the tensions you've identified?
### Table 1: Gender of CEOs and size and nature of charities included in the sample

<table>
<thead>
<tr>
<th>Organisational Size &amp; Turnover</th>
<th>Male</th>
<th>Female</th>
<th></th>
<th>Female</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aged</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Women</td>
</tr>
<tr>
<td>Children</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Legal</td>
</tr>
<tr>
<td>Disabled</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>Homeless</td>
</tr>
<tr>
<td>Family</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6</td>
<td>5</td>
<td>0</td>
<td>11</td>
<td>0</td>
<td>Health</td>
</tr>
<tr>
<td>Health</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>2</td>
<td>0</td>
<td>6</td>
<td>0</td>
<td>Family</td>
</tr>
<tr>
<td>Homeless</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>Disabled</td>
</tr>
<tr>
<td>Women</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1000'000</td>
</tr>
<tr>
<td>Legal</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>100'000</td>
</tr>
<tr>
<td>Homeless</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>300'000</td>
</tr>
<tr>
<td>Health</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>100'000</td>
</tr>
<tr>
<td>Family</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6</td>
<td>5</td>
<td>0</td>
<td>11</td>
<td>0</td>
<td>1000'000</td>
</tr>
<tr>
<td>Disabled</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>100'000</td>
</tr>
<tr>
<td>Total</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1000'000</td>
</tr>
</tbody>
</table>

**Note:** The table represents the distribution of CEOs' genders across different types of charities and organisational size categories.
The participants were interviewed between June 2010 and December 2012. Interviews were conducted on a one-to-one basis and lasted for approximately one and a half hours. All interviews were undertaken in the office of the CEO, except for one, which was held in a café nearby. All were recorded with the permission of the participant and fully transcribed. No participant withdrew his or her participation.

**Interpreting the text**

In terms of the continuum of interpretive work suggested by Eisner (1991) and mentioned earlier, the interpretive approaches used in this study were of two kinds. The first involved constructing generic themes in each individual transcript while the second then aimed to discern any clusters of similar themes that appeared in more than one transcript.

The researcher did not attempt to code responses to the specific questions asked, because it quickly became apparent during the interviews that respondents generally did not stay focused on any one question. In practice, the questions operated as triggers for conversations, reflections and commentary that were messy, circuitous, overlapping and non-sequential. It was also very rich, and the researcher was not inclined to attempt to control the conversation to force a strict ‘question and answer format’. However, all questions were asked at some point in each interview.

In keeping with the constructivist interpretative tradition, the researcher did not try to paraphrase or summarise the words of the CEOs but used extended direct quotations to illustrate the themes through which she chose to present their commentaries. The construction of these themes was initially based on stories that people told to illustrate the points they wanted to make. These stories were very concrete and served to operationalise their ideas. They have not been quoted here because they would often reveal the identity of the organisations involved. However, the questions did serve as markers not just of the issues being raised but, more importantly, of the way the participants perceived the question and tried to engage with it. As the researcher read the transcripts, she was struck by the frequency with which the CEOs described the issues facing their organisations as struggles between conflicting, and often
contradictory, drivers or valencies. These struggles cropped up again and again in response to all the questions asked, and the same struggles appeared in relation to different questions. So striking was this across the first fifteen transcripts that the researcher was able to group similar themes into twelve clusters that she labelled dilemmas. Reading of the remaining transcripts reduced these to eight dilemmas that could be usefully differentiated from one another (although, some of the dynamics of some dilemmas create the conditions for others).

The dilemma framework provided a very useful way of integrating the very large collection of themes, which appeared across the interviews. These dilemmas not only capture the dynamic complexity of the sector as perceived by the CEOs, but also provided a framework for describing some aspects of the CEOs’ practice: the ways in which they engaged with the complexity of their realm. To protect the anonymity of the participants, particular dilemmas were not analysed in ways that could be systematically associated with particular kinds of organisations in terms of size or services provided. Eisner (1991) would regard this as a holistic reading of the transcripts: one that not only captures the essence of the dynamics of a complex phenomenon, at a high level of abstraction that can be linked to theory, but at the same time connects to concrete experience and day-to-day practice. This sense of dynamic connection in the dilemma framework is very different from the fragmented laundry lists of issues and theories that have characterised both the industry and academic literature relating to the not-for-profit sector.

The eight dilemmas that were constructed through reading the interview transcripts were:

Dilemma 1: The tension between sustaining mission focus and developing sustainable business-like operation.
Dilemma 2: Partnerships with government or master-servant bonds?
Dilemma 3: Being partners and competitors.
Dilemma 4: Spending resources on governance and compliance versus spending money on providing services.
Dilemma 5: Being able to advocate while being dependent.
Dilemma 6: Trying to be innovative in a risk-averse environment
Dilemma 7: Long term planning versus short term resourcing.
Dilemma 8: Needing skilled staff but having limited means.

The dilemmas are presented in Chapter 4 in the order set out above. Each dilemma is articulated first in summary form and then through extensive quotations that reflect the more nuanced themes that are clustered or nested within it. These thick descriptions capture the full range of views expressed by the CEOs, who were not always in agreement.

In keeping with the inductive design, the idea of dilemma guided a second literature search for theory and research that could offer a richer understanding of the initial reading of the data. In the organisational and management literature, the concept of paradox provided this deeper insight and was used to reconsider the first reading of the commentaries of the CEOs. The theoretical frameworks of Lewis (2000) and Smith and Lewis (2011) suggest that dilemmas are best understood as difficult choices between unconnected alternatives, whereas paradoxes involve organisational and system dynamics that are interdependent and self-reinforcing. Chapter 5 includes further analysis of the initial reading of the commentaries in the light of this proposition.

Smith and Lewis (2011) also offer more helpful ways in which leaders might engage with paradoxes, which stimulated the final phase of the research: suggesting possibilities for the theory and practice of leadership and leadership development in the not-for-profit sector.

**The rigour of the study**

The criteria for assessing the robustness and rigour of research in interpretive-constructivist traditions focus on substantive validity. Positivist and post-positivist traditions of research strive for certainty through internal and external validation (allowing generalisation of the findings); reliability (allowing replication); and objectivity (sustaining distance from the work). Critical realists (Maxwell 1992), subtle realists (Hammersley 1995) and humble realists (Wakefield 1995) strive for trustworthiness and confidence. They do this through trying to establish the credibility or plausibility of the results, their confirmability, transferability and dependability. The techniques for achieving this include
prolonged engagement with the research site and participants; triangulation; peer review or de-briefing; examination of disconfirming or negative cases; clarifying and declaring researcher bias and perspectives; extensive member checks (respondent validation); providing thick descriptions; inviting external audits; the employment of multi-methods and multiple coding (Lincoln & Guba 1985).

Researchers in the constructivist-interpretivist tradition try to establish credibility and value by co-creating meaning with research participants, through multiple coding and coders. This is not done to establish convergence of interpretation or essential truths, but to deliberately create the space for diverse readings of data that can be contested and enriched. It also seeks to do justice to the complexity of the issues being studied by bringing into play understandings from the past as well as the present, from a wide range of sources, including the relevant practice communities, and academic, industry and even popular literatures and media. Using data sources provide by stakeholders, not just by the research team, is another way of doing this. Credibility and value are also built by sharing disconfirming cases and contradictory lines of thinking. Pragmatic validity is also valued, which is when the research produces outcomes that help in solving real world problems (Stringer & Genat 2004).

Reliability in these cultures of inquiry does not mean that the interpretations would be replicated by another reader of the data, but rather that other readers are clear about how the interpretation was made, and the factors that influenced it. This requires transparency as to the methods used to form interpretations and develop arguments, and also transparency in relation to the researcher’s journey of thinking and how it changes throughout the experience of the journey. It also requires honesty about the researcher’s motivations for undertaking the research, and what has been called theoretical and political candour (Sanjek 1990): the declaration of researcher preferences and commitments that have coloured any aspect of the research process.

Angen (2000) has suggested that authenticity is another important consideration in constructivist-interpretivist research. One aspect of this is contextualising: declaring who and what has shaped the researcher’s thinking
and interpretation as a researcher. Another is what she calls fidelity: offering thick descriptions that do not attempt to clean up the messiness, inconsistencies, ambiguities and gaps in the data. She takes up the ideas of Lather (1993) that researchers should be ontologically humble, not seeking the last or definitive word, but generative, opening up and stimulating further questions and discussion. Lather called this being rhizomatic. Angen also proposed that research should be pragmatically informed (of value to the life world or the community of practice) and capable of translation into action. And she drew out the ethical dimensions of rigour in research: how respectfully the research is conducted, whom and what is respected or marginalised and ignored, and what were the unintended impacts.

Finally, rigour in an inductive design means that the researcher has been able to maintain a theory-free stance in his or her initial reading of the data set. When the researcher tried to assess the rigour of her study, she found both strengths and weaknesses. Transparency of process was required by the University’s ethics approval process, encouraged through regular supervision and documentation throughout the program of study, and by adherence to university policy. Transparency also requires that others are able to understand how she developed her reading of the transcripts. By providing extended quotations from the commentaries of the CEOs, she tried to avoid imposing a layer of abstraction between their words and the themes she constructed, and then offered as one way of making sense of those words. The reader is then able to form their own view of the rigour as well as the value of the constructions.

The use of many direct quotations also conveys the full range of nuanced perspectives offered in the interviewees’ commentaries, and the many ways in which they struggle with the issues raised. It deliberately tries to avoid cleaning up the contradictions and messy connections that were so characteristic of the conversations held with the CEOs. The researcher would like to think that her approach to these conversations in real time made it easy for people to speak freely, without contrived polish or the adoption of the expert voice. Another real strength of the study is the number of CEOs who agreed to be interviewed, given the importance of including as many voices and perspectives as possible.
The researcher would also like to think that she brought to her initial reading of the transcripts the clear mindset required by an inductive design. This was not an easy thing to contemplate or plan or even prepare for. The researcher’s personal challenge was to put to one side the very simple assumption brought to the study at the outset. She had spent a great deal of her adult life fostering children as well as bringing up her own. She had also worked for a number of years as an employee in the not-for-profit sector. Her commitment to the sector was very high, particularly in relation to the protection of children and women. And she held the view that government had caused significant mission drift in the sector by its compliance and regulatory requirements.

In the course of this study, the researcher has come to view the dynamics of the sector very differently and to understand them as far more complex and self-reinforcing than she had ever imagined. The preparation of the first literature review served a purpose that was fundamental to the rigour of the study in far more than a technical sense. It did much more than conceptually position the study: it substantially cleared the mind of personal and theoretical bias as the first reading of the CEO commentaries was undertaken. This is a big claim to make. But the researcher found it simply impossible to hold in her head the abundance and diversity of available theory; and instead was overwhelmed and confused by it. She was also left questioning her own assumptions and attitudes, and that questioning stance deepened as the study progressed. In the end, it was simply easier not to speculate but to focus on having open, stimulating conversations with the CEOs and, when the time came, to reading the transcripts. And in the end, the varied and frequently messy character of the transcripts themselves also helped her. It was by paying deep attention to that holistic messiness that she de-focused around issues of content, focused instead on interviewees’ struggles, and constructed dilemmas as the dominant themes in her reading.
CHAPTER 4
THE READING OF THE TRANSCRIPTS

Introduction

The finer-grained reading of the transcripts produced a number of specific dilemmas or tensions that were expressed spontaneously by the CEOs interviewed. At no point were they asked about dilemmas or to describe sources of tension and conflict.

In this chapter, each of these dilemmas is described using the words of the CEOs themselves, followed by the ways in which they engage with the dilemma, again in their own words. These are deliberately thick descriptions that try to convey the full range of thinking that was reflected in the commentaries of the CEOs. A brief discussion then follows the presentation of each dilemma. That discussion is designed to simply note the linkages between the commentaries and the issues raised both in the introductory chapter and in the review of academic literature presented in Chapter 2. The interpretation of the commentaries is intensively examined in the next chapter, which explores and critically examines the concept of dilemma, and suggests the deeper connections between dilemmas.

The initial reading of the transcripts suggested that there might be as many as twelve dilemmas, but these were eventually resolved into eight that are distinguishable from one another. Sometimes the CEOs allude to these tensions as being typical of the entire not-for-profit sector, but the reader should bear in mind that those interviewed were CEOs in receipt of government funding. The tensions they raise are mostly focused on their relationship with government and its consequences.

The first dilemma concerns the tension between sustaining and focusing the vision or purpose (sometimes expressed as mission) that forms the fundamental intent of an organisation, and the need to run an organisation that
is businesslike and professional in ways that satisfy other key stakeholders, most particularly government and other providers of funds. The second contrasts the rhetoric in public policy of partnerships between the government and the not-for-profit sector, with the dependencies that many CEOs thought undermine that notion: short-term service agreements with government, the transfer of risk to the sector, high levels of compliance required, and the sense of being micromanaged. The third dilemma concerns the pressures on not-for-profits to both compete with one another and co-operate with one another. Organisations bid against each other for government grants, but at the same time are encouraged to work more closely together in an effort to use resources more efficiently. The fourth dilemma identifies the tension between spending resources on governance and compliance and spending money on providing services aligned with the core mission. Not-for-profits are increasingly required to demonstrate to their stakeholders that they are achieving their mission and doing so in ways that represent responsible and efficient use of funds. Tendering for government funds requires that applicants evaluate their performance, which in turn requires building capacity to identify and collect data, to analyse it, and then to be able to communicate the information effectively. Not-for-profit organisations argue that the meeting of government regulatory requirements cuts significantly into resources available for achieving the aspirations of mission. While this dilemma could be considered a sub-set of the first one, it was singled out for substantial commentary by the CEOs, and can be conceptually differentiated by its specific focus on reporting, as compared with the broader range of ongoing organisational activities covered by the first dilemma.

The fifth dilemma describes the tension that can arise between advocacy and dependency, with some CEOs concerned that their freedom to advocate for policy change is compromised when the government partially or wholly supplies funding. The sixth draws attention to the challenge of trying to be innovative in a risk-averse environment. This was an issue not only for organisations founded by an entrepreneurial or risk-taking individual or group, since social innovation can be attempted at any stage in an organisation’s life cycle. The seventh dilemma highlights tension between developing long-term aspirations and
strategic plans and working with short-term and uncertain budgets. The eighth describes the specific difficulty of attracting and retaining committed and skilled staff on these limited and insecure budgets.

**Dilemma 1: The tension between sustaining mission focus and developing a sustainable businesslike operation**

**The nature of the dilemma**

Threading through three-quarters of the interviews was a dilemma that, although expressed in a range of ways, can be concisely expressed as the tension of serving a core mission inspired by values shared by a group of committed people, while meeting the requirements of government and the community to be sustainable in business terms. All CEOs interviewed spoke about the pressure to become more businesslike. It was a constant, consistent theme, in response to the first question asked: What changes have you seen in the third sector? They agreed that the sector needed to and had become more efficient and effective, transparent and accountable. The widely held view was that not-for-profits seem to be grasping the immense change that has occurred over the last few decades and have come to see it as inevitable. Accepting the changes and learning to deal with them was seen as part of their role. The need for good governance, professionalism and effective management systems was not denied. However, this was seen as being in tension with the fundamental and long-standing obligations arising from public and private commitment to a core mission.

The language used to describe the demands of competent and responsible management varied. For example, it was often couched in terms of professionalism. R27 said: ‘We must start to bring a professionalism to the sector. There is professionalism as individuals but it must be to the sector. Or we do ourselves an incredible disservice’. R28 commented:

Our only stress at the moment is funding. I’d like to think I’ve brought in that private sector professionalism. Some non-profits are often in a shambles, disorganised. I think we’re a highly professional tight unit. You wouldn’t survive otherwise. I think the sector has changed in that way.
R5: The biggest change is professionalisation, less political. Yes, that’s right. It’s a different set of skills. That’s what’s changed. We have to really know how to cost those things now. We also have to know a bit more about governance. We haven’t had to be accredited, but all of those services had to go off to governance training, risk-management training.

Others noted that many not-for-profits are now hiring marketing managers, have implemented complex human relations policies and new IT systems, and rely less on volunteers and more on qualified paid staff. Another trend noted is a changed leadership style with a focus on CEO accountabilities, directorships and governance systems, replacing older style committees of management.

R9: We now have a marketing manager who is growing corporate services. We have all this cost of infrastructure because we never needed it before and have had to acquire it. Once upon a time, your money came in electronically from the government.

The tensions between sustaining mission focus and developing business sustainability were also expressed in a range of ways. R1 commented: ‘There’s this great expectation that we will run as businesses and at the same time trying to match that up with what our core business is … But the pressure is constant; it’s the imposition of the business model all the time’. R19 has ‘seen a move towards professionalisation where boards have moved from operations to governance’, commenting that not-for-profits are ‘sometimes corporatised, moving away from mission and inspiration’. And R6 believed that ‘the funding bodies are worried about accounting, policies … but they’re missing what matters’. R2 commented: ‘You’ve also got to be careful about growing your business and maintaining your cultural integrity’. R7: ‘You’re not selling potato chips; you’re intrinsically linked to doing good’.

R41: If the focus is predominantly on systems and reports then people will work to outcomes and it will generate, in general, throughput mentalities because you can measure them quite easily and organisations will default to that.
An expectation from government funders is that services delivered have the look and feel that is more professional and that reports have the look and the feel of being professional. I use the term, ‘the look and feel of more professional’. Whether it is being more professional, and let’s assume for the moment that it is more professional, how does it impact upon us? It impacts us because a lot of time has to be devoted to that kind of work. That creates its own challenges. And what that means is that you probably need a greater suite of skills. So, if I look at this organisation, I am looking at once upon a time, it was fine for somebody to be a botanist. Now we need to have the skills to write an application that sets out all the things that we talked about. How are you going to measure your success, what are your KPIs, blah blah. … But people come to the organisation because of the substantive work of the organisation does. To use your term, ‘their passion for the work’. It’s absolutely true that the compliance activities, they become overwhelmingly challenging for people.

R2: They are being pushed into a certain model and charities are not standing up and saying they are not wanting to do it that way. Part of the reason for this is that charities are scared that they will lose the funding and so feel muzzled.

R4 asked: Have you got the guts to step away if you’re part of a system that’s not making a difference? What are the measures you want to use? You need to be focused on your mission and we get a little lost, we grab money when it’s available.

R6: There is a balance needed between the new rules that have become the master not the servant and policies and funding being short term and opportunistic.

Another dimension of this dilemma relates to the blurring of the lines between profits and not-for-profits.

R12: Not-for-profits need to start competing on an equal footing with for-profits as they will become our new competitors … The extent to which we allow for-profits to take over or dominate the sector of the economy that is
about human services and then suddenly something goes wrong … we need that balance … If you commoditise human services then you do so at your peril.

Some charities are taking the option required to keep them in business and optimising new opportunities. R16: ‘Setting up a commercial service to offset some of your not-for-profit activities is an opportunity’. R37 provided an example of the for-profit mindset now expected of them:

We have about 10–12 shops … that do not trade on a Sunday; we get constant letters from our members saying that that’s the way we should not be going etc. etc. Saturdays and Sundays are busy with people taking kids to sports. People take kids to church on Saturday evening. But we see that as an opportunity … we have tourist areas of Warburton and Queenscliff … It is not a money-grabbing activity but it is an opportunity that we need to explore.

But others are worried by the potential for distraction:

R34: You need to remember what our mission is. What is it that we actually started out to do? The danger is that, particularly those that have grown in size, is to get what the mission is. You actually get distracted by a whole other thing; you forget what you are about. We are a service provider. Yet we get heavily involved in the running of centres, stores to generate that money. The danger is that the main business becomes running stores … The challenge for the leaders of the organisation is to do both. And to put it colloquially, to get the best bang for your buck. If somebody gives you a dollar, make sure you use that wisely, more efficiently, get the best resources, partner with other agencies, all that sort of stuff. Really important. But at the same time the leadership has to be clear, this is what we are about; this is what we will continue to do. It’s a struggle and it’s a challenge.

Finally, R40 identified a fundamental and serious gap between the way the sector is regarded by government and represented in the media, and the way it actually operates, in terms of professionalism. The result was seen as the sector losing control of the reform agenda, despite the steps it has taken to systematically focus effort:
The perception is that the sector has to become more professional. The bigger organisations were always professional and well run with strong boards. The paradigm in this sector is quality of service fulfils mission. It’s quality relationships that produce revenue, which is very different to the not-for-profit paradigm, and whilst that’s very simple and clear, people don’t understand that and so the sector has come under extraordinary pressure from government and businesses that haven’t really understood the role of the sector. The sector has been appalling at promoting itself, describing its work, articulating its value and process. It is becoming much more evidence-based in its work than it was … There is a much more commercial eye to the work that’s being done and I think that the sector is becoming harder nosed in terms of who it will service and support internally and externally on the grounds of sustainability. I think that there is increased ignorant pressure from the media, government and business about reforming the sector and the sector is not driving its own reform.

Methods of engagement

The interviews also offer some clues as to how different agencies engage with this dilemma.

R34: In our organisation, we have designated workers who run programs for the staff—it’s our induction program—it’s about continually reinforcing the mission of the program, what the vision of our founder was—it’s those sorts of things. And good organisations need to continually remind themselves of what they are here for.

R21: We have been able to minimise costs so we can service more clients. We have utilised the services of experienced lawyers because we aren’t a business but we’re trying to become more professional … we get a lot of pro bono work. Rob Hulls said to the big law firms that if you want government work, you have to do pro bono. This way costs are reduced so you can service more clients and [helps] in terms of accountability.

R35: Change is something that if we become too focused on the implication of it, we will become like rabbits in the headlights … Sometimes it becomes a question of whether we do a lot of ranting and raving about the changes in
order to try to prevent it or whether we put our energies into the change in our organisation. I don’t have delusions of grandeur. I don’t have a voice that the big boys are going to listen to. I tend to focus at the moment on how we manage the change internally. The modern award is being rolled out by the two-year period and is changing the way people are being paid. There are some financial implications but it’s around managing that so it minimises the impact on our staff and as a consequence, service delivery.

R34: So how do we do that? When we recruit, we talk to our staff about values, our community, about respect; we talk about dignity. That’s crucial. If you don’t have empathy to our needs, go and work for the government, go and work for aged care in a for-profit centre. The other ways we do that is that the board has to know what the service is about. It’s about ensuring that they—they are lawyers, they are accountants, they are bankers—but that they are understanding the complexity of the work at the ground.

We just adopted our tender criteria so we have to match it against a number of criteria. Does it fit the mission? Will it allow us to advocate on behalf of our clients? Will it allow us to grow in the area that we see our service direction going? Advocacy is a big part of it. Responding to the productivity commission, that sort of thing. A big part of all our work is not just delivering welfare packages but actually changing circumstances. If you don’t do that, you just keep handing out those packages, year in year out. You mustn’t get seduced into the easy stuff; you remember why you were there, trying to change the circumstances.

R32: Have you spoken to X? She is the CEO of Y. Their governance is amazing and they benchmark themselves against the ASX, 25 per cent of the ASX. They said right, if we’re going to get looked down on by government, we are just going to prove that we are better than them. At the government level, they have fantastic people on the board for years. They are one of the leading NGOs, I would say, in Victoria.

Discussion
This section has focused on the tension between maintaining a central commitment to the religious, social or community goals of third sector
organisations, the need to find secure funding from both donors and government, and the requirements of government and other stakeholders for effective, sustainable and accountable management practices.

The interviews suggest the ways in which not-for-profits strive to become ‘more professional’ and what this means to them. They also describe the ways in which CEOs say they try to hold the associated tensions in play as they strive to sustain funding and success both now and in the future. The notion of mission as the reliable—and in some cases traditional—delivery of valued services day-to-day (such as poverty alleviation programs like Meals on Wheels or providing temporary housing) is being expanded to include more strategic interventions that don’t just attend to immediate needs. Such shifts make sense in terms of effective and efficient use of resources but can require significant readjustment of the mindsets of those most closely associated with the organisations: donors, volunteers and end-users. They also require significant managerial and leadership skills. Whilst few not-for-profits file for bankruptcy, they can and do fold if accountability is not a priority. The Glass Youth and Family Services in Los Angeles filed for bankruptcy protection in 2009 after it chose to keep only six beds in its group homes: “We have held out for more than a decade against moving to a group home model with 12 beds or more because we thought smaller homes create a family environment that was better for the kids. That was a mistake”, Ms. De Crescenzo said’ (Strom 2009, p. 17). In Australia, the Make-A-Wish charity that grants wishes to terminally and seriously ill children, made a $3.4 million net loss in 2010 and a $1.9 million net loss in 2011 (Make-A-Wish 2011). With a new CEO and board members, the recent annual report emphasised the need to be more sustainable and remodel existing programs.

Others worry about the conscious and unconscious influence of donors in the implicit negotiation of mission, and are concerned that not-for-profits are at risk of becoming too much like their donors. The effort to be businesslike also extends to new partnerships and gaining long-lasting corporate sponsorships that provide significant income. An obvious example is when large multi-nationals offer not-for-profits big donations but continue to exploit workers. But there is more subtle pressure, as Froelich (1999, p. 253) has observed:
Corporate contributions have also been associated with process and structure change in non-profit organizations [NPOs]. The professionalisation of corporate giving practices throughout the 1970s resulted in less ad hoc giving and more formalized procedures involving contribution officers and committees. Formalisation is especially pronounced in the corporate foundations, which operate more independently and with less top management influence. Criteria for gift allocation, including statements of mission and measures of efficiency and effectiveness, created reciprocal pressures for more formalized procedures directed by specialized managerial staff in NPOs. The influence of corporate board members, frequently included as directors to facilitate solicitation of corporate gifts, and the impact of loaned corporate managers further reinforced the process and structure changes. Over time, a professionalized form of administration emerged, and nonprofit organizations have increasingly come to resemble for-profit corporations (Kelly 1998; Peterson 1986; Useem 1987).

Some not-for-profits have clearly found new ways to operate successfully. Australia’s first charity, The Benevolent Society, turned 200 in May 2013, and their history shows a consistent approach to new social ventures, leadership and practices. They have further expanded into social leadership training and consulting. Not-for-profits such as CatholicCare provide a vast range of services such as youth, disability and aged care and foster care. They also utilise fee-for-service counselling services, which often help to offset the costs of other programs. Goodstart Childcare Limited, which is a partnership of organisations (Mission Australia, The Benevolent Society, the Brotherhood of St Lawrence and Social Ventures Australia), took over the 650-plus ABC Learning centres across Australia when the company collapsed during the subprime mortgage crisis in 2008. These not-for-profits have chosen to develop new, collaborative ways in which to work and have developed separate for-profit models to do so.

However, the balance between the financial stresses of becoming more businesslike, maintaining service levels and a focus on mission is a difficult one. As Lewis (2012) has noted, neither pure altruism nor legislative imperatives in themselves provide a satisfactory foundation for a compelling business case.
When charities become too businesslike, the community becomes suspicious about their motives and donors are concerned that they have lost their focus on mission. Challenges to trustworthiness and credibility have serious implications for the not-for-profit sector, and work by Gaskin (2006) suggests that favourable opinions of the aims and roles of not-for-profits are only partially offset by a suspicious public concerned about fundraising and marketing strategies, fat-cat salaries and fraud.

And beyond all these challenges is the systemic reality that societal needs and problems shift in an increasingly complex world, and with them the key public policy, regulatory and economic frameworks. Mitlin, Hickey and Bebbington (2007) ask whether being conventionally businesslike does not, in the long term, undermine the comparative advantage of the not-for-profit sector as an agent of alternative social development.

**Dilemma 2: Partnerships with government or master-servant bonds?**

**The nature of the dilemma**

This dilemma was discernible in about two-thirds of the transcripts. In essence, it contrasts the rhetoric in public policy about partnerships between the government and the not-for-profit sector, with the more complicated reality.

The dependencies mentioned as being at odds with partnerships included the government’s insistence on short-term service agreements, the transfer of risk to the sector, the high levels of compliance required, the sense of being micromanaged and the concept of having relationships that, from the government’s point of view, require a relationship manager.

Some of the commentary about this was in terms of control exercised through funding:

R7: Taking government money comes with big strings. Their proportion of control far outweighs the money. They buy you cheaply.

R17: We’re a creature of delivering government funding. We don’t even see ourselves as a charity any more.
R10: Eighty-seven per cent of our funding is government funding. Our reliance on government funding is way too high. But now we are caught.

R10: Becoming a more professional delivery service for the government, staying close to you own mission and values becomes difficult. How are we not just a service arm of the government when we get 70 per cent of funding from them? How can we say we are partners?

R25: The charity sector is part of government when delivering services. It’s cute to think otherwise.

R19: Raising 40 per cent of our own money is hard but it gives us independence and makes us not just an arm of government. But many NFPs are disenchanted with the so-called relationship and are highly frustrated.

R28: I put my funding application in 12 months ago. We’re always completely at the mercy of state and federal government.

R4: The department basically says: ‘We pay you so just drive it and we’ll tell you when to stop’. It’s not like, ‘We will value your opinion. Yes, we will respect what you want’. It’s like, ‘Well, you’ve got to take the kid’. It’s a master and servant relationship much of the time. With not too much recourse back.

R6: They often do that at considerable cost; they don’t understand what is actually happening on the ground. They’re trying to do things faster. The people in departments are often more politicised or have less understanding. There is lots of evidence that bureaucracy has become more politicised over the years and also that the politicians want to get more value with things that they can announce, do more quickly. There is a real tension between playing out politics in the media in the short-term and getting back to systemic structural sorts of changes that make sense.

Some had experienced the undermining of a trustful relationship in other ways. One was surprised when having taken the opportunity to give feedback when requested:
R2: The government contacted people in our organisation to express their concern on what we had written. Now historically that wouldn’t have happened. Way back it just didn’t happen. But it does happen now. They need to show greater respect to the not-for-profit sector.

Some were more pragmatic about the relationship with government:

R6: This federal government does allow you to make criticism, the previous government got upset. If you’ve got no money but if you have a voice, then that’s a start.

R14: All governments are sensitive to negative publicity, so we have to choose our issues if we want a long relationship. It’s best to work with government rather than against them. We have to remember what is the best for our clients. Getting the government offside is not best for our clients.

But judging how to manage the relationship remains problematic:

R17: We walk a tightrope when we want to speak with government. I personally really struggle with it—how far to push.

R6 commented that the organisation in question felt pressured by politicians to commit to adding value that they simply could not afford.

Some perceive, however, that the government itself treads a fine line:

R14: Governments are aware that if they go too far in one direction they wouldn’t be supported by the third sector. I think they are aware that if they get the third sector totally offside, with the reform agenda, there would be significant political ramifications.

R35: If the government want the services that they contract for then they will have to be prepared to put up the funding, but there is a risk that they will say that we are not going to give you all the money, you need to keep the services going. We’ll compromise on the services. And it will be somewhere in between. My experience is that all of these things end up being negotiated. So politicians, government will take a particular line. Bureaucrats will then operationalise it and things will occur. People will advocate for their various
positions. But there’s no doubt that there will be a lot of angst and worry during the transition.

Methods of engagement
About one-third of the CEOs were very articulate about the need to be skilful and determined in influencing the dynamics of relationships with government, given its ambivalent nature. R40: ‘We don’t have any positional authority in this sector. So we have to use influence; we have to influence stuff to do things’.

R20 spoke at great length about the enormous effort they had gone to in order to get ministers and opposition spokespeople to come to events and agree to policy. As it was a federal election at the time, they saw it as an opportunity to invite candidates to their services and do collaborative media releases for joint calls of action. ‘For me it’s about building relationships, presenting a business case, that there is good reason to invest in us’.

R2: Look, we usually try and figure out a constructive way of going forward, so with the department we have had a number of meetings with their senior staff to find out how they work. Like, on the basis of, you talk about having a partnership, let’s try and make the partnership real. You don’t have to bang us over the head. It’s about working together. So we can often bring them in and say look, we are not happy about this, what do you suggest? What can you do? But it doesn’t always work. It can blow up on you. There was one time, where I said to the senior person, where there was a lot of pressure on us, ‘look I’m not taking this kid back’. We said, ‘we are not taking him under these conditions’. They just took him away, they shoved him somewhere else. It fell apart … and it wasn’t good for the kid.

Others were very clear about the need to maintain a sense of independence within the organisation’s own culture, no matter how problematic the reality might be:

R34: The thing that I say to the staff, even though in terms of our community service and aged care, the bulk of our funding comes from government, we will never become an instrument of government. We must remember what makes us different to government. There is quite a difference. A government
provider of a particular service, the for-profit provider and someone whose foundations are in the mission of wanting to help the disadvantaged.

**Discussion**

In Australia, the national safety net is a public–private hybrid. Federal, state and local governments underwrite many services, delivered by the not-for-profit sector. And it has been important to government to position the relationship in terms of partnership:

> As they pursue the probably ephemeral holy grail of civil society, governments would now seem to be enthusiastically forging partnerships with the third sector (voluntary and community sector, or not-for-profit sector) of which charities form the cutting edge (O’Halloran 2007, p. 1).

Certainly the Productivity Commission Research Report (2010, p. 342) asserted that partnerships have the ability to work well. In the beginning, new types of relationships emerge as organisations devise creative ways of building capacity; sharing costs, benefits, and risks; achieving synergies; competing successfully; accomplishing common goals; and fulfilling individual missions.

However, the academic literature has acknowledged the problematic nature of the idea of partnership in this context, ‘not least of which is uncertainty surrounding the principles that should govern the distribution of public benefit responsibilities between government and charity’ (O’Halloran 2007, p. 3). Froelich, echoing Lipsky and Smith (1990), goes to the heart of the issue:

> Responsiveness to the needs of clients is subordinated to equitable treatment of the public, effectiveness is superseded by accountability, program and method variety are lost to standardization, and the nonprofit’s discretion is tightly constrained by government contract expectations (Froelich 1999, p. 257).

While Herman and Associates (2005, p. 372) succinctly point out: ‘Government funding can be complex and driven by political cycles, changing budgets, funding delays, political interference and uncertainty about future funding’.
The concept and practice of New Public Management (NPM), as it has been known since the 1980s and 90s, has attracted language that attests to the ambivalent nature of the fundamental relationships involved: references to the shadow state and the hollow state are used alongside more bland terms such as third-party government and contracting regimes (Carman 2011, p. 351). While the financial uncertainties, accountability regimes and monitoring obligations are easy to identify and label, some commentators suggest that it is harder and riskier for organisations to surface and name the ever-present anxieties associated with imbalances in power and breaches of trust (p. 351).

As Lyons (2009) has noted, the term ‘partnership’ is used extensively in public policy literature. This is especially so in political discourse alongside ‘cooperation’, where state governments employ ‘relationship managers’, who manage their ‘partners’. But ‘a closer look at what they do indicates that underneath the rhetoric, nothing changes’. Abusing ‘monopsony’ power leads to poor contracting outcomes, even if not intentional’ (Lyons 2009, p. 9).

The Productivity Commission Research Report itself acknowledged the seriousness and pervasiveness of this issue: ‘It appears many NFPs [(not-for-profits)] consider their relationship with government “unequal”, with governments having “the upper hand”, imposing “top down” solutions and requiring NFPs to comply with “over the top” reporting requirements’ (Productivity Commission 2010, p. 309). The report also noted that many agencies felt that relationships lacked trust and had become unnecessarily adversarial. In its submission to the Productivity Commission Research Report, Jobs Australia referred to it more as a master–servant relationship where the government is focused on the minimisation of public sector risk and the maximisation of public sector control (Productivity Commission 2010, p. 309).

The Women’s Electoral Lobby noted the dangers of diminishing the capacity of the NFPs to offer criticism, and the opposite scenario where independence becomes interdependence, which can undermine the democratic balance of interests (Productivity Commission 2010, p. 15).

But the dilemma is not only one of relationship. Not-for-profits can be placed in serious binds, having to choose between staff cuts, losing the contract or
keeping it and making the best of a problematic situation (Herman & Associates 2005, p. 376). Shergold notes: ‘rarely do NFPs have the capacity or opportunity to negotiate the policies (or even administrative guidelines), which determine the form of programs they are paid to deliver. This asymmetry of power can make collaboration more difficult’ (in Productivity Commission 2010, p. 306). This ‘undoubtedly weakens some of the “natural” checks and balances on the quality of decision-making and underscores the importance of the quality of government contracting practice’.

Along with a number of academic commentators (Brinkerhoff 2003; Cooper 2003; Craig & Wilkinson 2002; Lyons 2001, 2007; Mariani & Cavenago 2013; Saidel 1991; Salamon & Lund 1989; Shleifer & Vishny 2002; Smerdon & Deakin 2010; Taylor 2012; Taylor, Smith & Lipsky 1993; van Slyke 2006), the Productivity Commission (2010) has looked to notions of relational governance to stimulate new thinking about how the government and not-for-profit relationship might be understood and practised, from design through to service evaluation. This thinking clearly needs to garner the knowledge and expertise of the sector.

**Dilemma 3: Being partners and competitors**

**The nature of the dilemma**

Interviewees, in different ways, spoke about the pressures on not-for-profits to both compete with one another and co-operate with one another. The essence of this dilemma is that not-for-profits bid against each other for government grants, and at the same time is encouraged to work more closely together to use resources more efficiently. As well as partnering with a variety of resource providers, not-for-profits partner with others as a way of diversifying and obtaining an additional income stream. This can create new opportunities but also new constraints, as well as altered dependency relationships.

The incentive to co-operate and create partnerships derives from opportunities to share resources. As R3 noted: ‘You’ve got unused new land, and unused property—is there something we could do together?’ Some of those interviewed were strong advocates for forming active partnerships. R27 commented that when not-for-profits work together, they can be more effective: each not-for-
profit has their own contacts and networks and new partnerships maximise reach:

R27: I notice the struggle a lot of NGOs have here because of their reluctance to partner. I understand—it was like that 20 years ago in the UK. My philosophy is the more you work together … we’re not here for ourselves; we’re here for the client. I’m not an advocate for two or three large not-for-profit organisations that take on the world, far from it. But I’m a large believer in umbrella organisations, in consortiums. Perhaps, again the entrepreneur in me suggests that small organisations perhaps attach themselves to larger organisations and don’t be frightened of losing your autonomy … if you’ve got an issue in your community and you believe in it and if somebody comes along with the infrastructure, don’t be frightened to let it go. Trust it will be all right.

Others believed that alliances ensure institutional viability, arguing that smaller not-for-profits cannot exist unless they are well networked and interdependent. In many areas of the third sector, they suggest, there will continue to be decreases in funding where the elimination or reduction in services will be inevitable. And whilst most boards aim to expand their services, some not-for-profits will need to consider a merger if they are to survive fierce competition for resources and revenue.

However, they acknowledged that the mechanisms for sustainable partnerships still need to be determined. R30 commented that there is a lot of trial and error occurring, observing that ‘while it is all well and good to be working with another organisation on how to bring in infrastructure costs that we both need, that’s only okay as long as we’re not both going for the same funding’.

Others observed that not-for-profits face many challenges in working together, and that the time and monetary cost of partnering should not be underestimated, with the added challenge of keeping within their own organisation mission, structure and processes. The essence of the dilemma is captured in the following quotations:
R40: We have to now invest more in fundraising in services if we’re going to keep our head above water. And we are having a much more aggressive approach to fundraising, which perversely means that we’re less likely to collaborate with other organisations on a programmatic level.

R38: We’ve tried to go with a partnership model. Beat the competition by actually joining the competition in some ways. But it’s a double-edged sword. Partnerships are very difficult. Doing it by yourself is the easiest thing. Living by yourself is easier than living with your partner. We’ve tried partnership, tried to be a bit innovative at the start. We are probably not as innovative as we used to be. We haven’t got the resources to be that. It is a lot about compliance. More back-of-house work. It’s probably more costly to run a charity today than it was ten years ago. I think it’s about 400 per cent more. It’s not just a little bit more. These days we are expected to operate like a $400 million business. A little organisation like us, it’s hard to compete against the big ones. The other thing is, all not-for-profits go for everything now. In the old days, everyone used to keep to their knitting. But because now sustainability is a big issue for everyone, everything is up for grabs. There is a bit of money here, you’ll find everyone will go for it. It’s like the AFL grand final; you can only have one winner. So there are multiple losers.

Others echoed this tension: ‘The very thing that is the incentive, partnering, actually serves to drive you apart, because you are also, at the core, competitors vying for the same funding, media space and fundraising opportunities. You have to be competitive because of scarcity of resources, which undermines collaboration’ (R17). R33 said that this was amplified by short-term funding arrangements, three-year cycles that leave no one feeling secure. When not-for-profits tender for contracts or funding, they may find themselves competing for the same dollar as the charity they have been working with. Similarly, donor money is a limited and precious resource. Not-for-profits need to sell themselves, and any lead they have over a competitor is advantageous in gaining a tender or donation.

Others were more blunt:
R41: It's crap! There is no partnership, absolutely not partnership. You ask government, there is partnership, you ask the sector, they will say crap. That hasn’t changed. It’s still fractured, ineffective in coming together as a whole. Despite being the great champions of collaboration, competition is in our DNA so we absolutely can’t collaborate, we can’t merge organisations, we can’t bring things together. Every not-for-profit in Australia began because nobody else was doing it properly or there was a gap in service, so why on earth am I going to merge? So there are too many of us. That’s where there are inefficiencies. And people have failed to understand that fundamental thing.

R38: This sector will only rationalise if it’s forced to do so. NDIS [National Disability Insurance Scheme] is going to rationalise the disability sector. Everyone is cooperating as hard as they can for what they believe is best. We just all disagree as to what’s best.

R17: We won’t compete with other charities when their funding comes up, although we foster collaboration and partnerships the rest of the time. When another charity tried to do this, I rang the CEO and told them that was poor, and he withdrew his tender. If you’re competing, you can’t come together and work together.

R5: This business about tendering is harder for small organisations. We can’t afford to do that (tendering over months) so it’s useful for us to partner with bigger organisations. We got a tender with a larger partner. And then they call us into an interview to discuss the budget. And what that meant was: where are you going to cut your budget? Now, you’ve got to cut back. We were a bit naïve because it was a big tender and we have never done one that big before and then took a piece of the lead on it. We should never have done that. We studied for hours at night on this very white board calculating everything, endless sums about how many trainers for how many hours in how many country towns. What is the kilometre? It went on and on and on. We calculated all this sort of stuff. Then you go in and they go, ‘what’s your best rate?’ I look back and I think I would never do that again.
R38: The way government fund, they make us competitive. Like I have to put a submission in, and one of us is going to get it rather than the old days where it was more about, I think you guys should do it. It wasn’t that competitive thing. I mean, 50 people writing submissions that take hours and hours and hours of work. It is a lot of wasted resources, where the government has probably got an idea of who they want to fund anyway.

Methods of engagement

The CEOs interviewed spoke of needing to weigh up the efficiencies of scale versus grassroots focus. Some received referrals from other not-for-profits, which was useful as ‘tendering is hard when you are a small charity, so partnering with a larger charity is useful’. They spoke of being selective (‘picking your partners’); balancing mission with autonomy (‘remembering that you’re here for the client, not for yourselves’); being discerning (‘be confident in what you are good at, and what you can’t’); trading off efficiency and effectiveness (‘it’s about doing something well, not growth for growth’s sake’); and avoiding the temptation to ‘put fundraising ahead of services to stay afloat, making us more aggressive and less likely to collaborate’.

Discussion

Over fifteen years ago, Smyth and Cass (1998, p. 223) assessed the contradictory consequences of introducing competition into the not-for-profit sector:

In the economy at large, competition is an important driver of efficiency, choice, innovation and economic growth. Yet to acknowledge the value of competition in the general economy is vastly different from admitting it into community services as some form of irresistible and guaranteed formula for success. By its very character, competition duplicates, in order to provide choice; competition excludes, in order to remove free-riders and to protect commercial secrets; and competition divides, in order to gain advantage and market share. But duplication, exclusion and division are directly at odds with the principles that should underpin the management and delivery of welfare service.
Much more recently, the Australian Productivity Commission (2010) has observed:

Partnership working between charities was put forward as a model for successful service delivery, but building partnerships requires investment of time and resources to build successful relationships, and does involve some risk. Charities do not want to feel pressured into inappropriate partnerships … While greater scale and sharing of support services can improve production efficiency, NFPs can be reluctant to merge or collaborate where other interests might be eroded or where the purchase of support services adds to overheads (p. 13).

NFPs can also be reluctant to collaborate or share support services such as back office and fund raising, possibly reflecting the transaction costs associated with establishing joint approaches (p. 21).

Yet government agencies at state, territory and commonwealth levels have a preference ‘to deal with a smaller number of larger NFP’s’ (Productivity Commission 2010, p. 332). And large not-for-profits are often better at competing for scarce public funds and government service contracts, as they have an established infrastructure and legitimacy (Smyth & Cass 1998, p. 224). But size is clearly an issue in a range of ways. A larger presence can increase recognition amongst funders and in the community, which in turn may facilitate funding and increase the organisation’s reach. More importantly, in the context of productivity, scale is generally associated with savings in average costs, as many overhead costs—such as training programs, information technology, and office space—are reduced. Scale can be achieved in a number of ways, including through mergers, joint ventures, shared services and consolidation.

Dilemma 4: Spending resources on governance and compliance versus spending money on providing services

The nature of the dilemma

Not-for-profits are increasingly expected to demonstrate to their stakeholders that they are achieving their mission and doing so in ways that represent
responsible and efficient use of funds, and reflect good organisational governance. The practice of tendering for government funds reflects one of the ways in which accountability and good stewardship is sought. Among other things, it requires that applicants evaluate their performance, which in turn requires building capacity to identify and collect data; to analyse it; and then to be able to communicate the information effectively. However, not-for-profit organisations want the most money possible to go to the services they provide, and are frustrated that the meeting of government regulatory requirements cuts significantly into available resources:

R12: The challenge is the extent to which we’ll compromise quality of service to gain contracts. We’re about providing care so it’s an ongoing challenge.

R10: Three sources of funding, but each government department has a different template and wants a different report.

R14: Better annual reports are being driven by accounting standards that are coming in. We are under a lot of pressure to improve our annual reports, but funding rules have gown incrementally without taking in due consideration of the impact of these back-end costs.

R30: There has been a 60–65 per cent increase in the mandatory requirements that a not-for-profit needs to comply with and be accountable to. We’ve just been through a quality accreditation here and we don’t have any funding for quality accreditation, so I do it myself.

R11: The best of our sector is not actually harnessed to improve society because 30 per cent of our time is writing reports for DHS that will sit on a shelf and will never be read. There’s an add-on effect to the problems associated with tendering and compliance.

R33: Particularly Commonwealth funding, they can be the most ridiculous reporting requirements and take up huge amounts of time and it’s crazy.

R19: Movement towards good governance, transparency, regulation has all been positive, but we’ve really struggled to have the funds and resources to have those things—23 per cent of our income over the last 10 years, rather
than that money going to service. All our reporting to funders is a ridiculous amount.

R11: The amount of time and effort spent on tenders is extraordinary.

R5: So much more is required now, more training and accreditations. There is a cost to compliance and tendering, but it is clear that many believe the point of saturation has been reached and it is now unduly burdensome.

R40: Government treats the not-for-profit sector as if it’s filled with thieves and criminals. And the cost that government puts onto the sector is enormous. And it’s not recognised. We’ve gone backwards. We went backwards under the GST; we didn’t fight that battle effectively. We could go backwards under this whole Charities Commission [ACNC]. These league tables on how much this organisation spends on fundraising is rubbish, because if you’re the schizophrenic foundation, you have to spend a whole lot more percentage-wise than if you’re the Salvation Army. It’s an unfair comparison. What you’ve got to look at is what the net return is.

R25: Tendering—a lot of work, a charade when you often know who’s going to get it. A massive amount of paperwork that is unfunded. There’s almost a full-time position just to do funding.

R36: The bad is—and they are trying to work towards it—the bad of it is that, you don’t just need one system, you need five or six or eight, because they are collecting the same sorts of data, but not in the same way, using a different software system, different timelines.

R38: There are a lot of different compliances, different reporting. There are a lot of resources needed. And we get so many different funders. All little bits and pieces. It’s just a nightmare.

HR is another issue facing not-for-profits. The HR issues, sort of the environment we are in. Managing people is a big one.

Some respondents specifically mentioned the challenge in leading voluntary effort under these new requirements:
R37: Sometimes the bad is the fact that at times you will have older members who are disgruntled and they will use that as an excuse to be critical to the organisation. ‘I’ve been here 30 years and now you want to do a police check?’ … And the cost of the continuous monitoring and review of those sorts of matters and I suppose the up scaling of all our volunteers. And our older, harder members. And our members probably average 64 or 65 years of age. Yes, we are getting new people coming in, but we still—obviously the greater life expectancy—we have still got some active people in their 80s. It’s terrific and it’s a challenge at the same time.

And many respondents saw the compliance issue as being part of a larger societal dynamic:

R9: We are a society obsessed with compliance.

R34: We are under an incredible amount of scrutiny. And we are also in a regime, which I’ve touched on before, where people are more likely to litigate. So you get it wrong and you’re in court. So that’s where this whole risk aversion comes into it.

R38: It’s complex because of the way society has gone. We’ve got to do a lot of compliance. You give me $10,000 or the government gives me $10,000, you want a report, the government wants a report. So it’s multiple stakeholders, multiple funding streams, multiple funding agreements.

And there was cynicism about the competence of government in managing the processes of compliance:

R39: Some government departments have become, I guess, too operational and not performing their role as contract managers and governance responsibilities related to the contract. By that I mean sometimes they’re antsy or critical about particular issues, but they don’t have the answer or they don’t necessarily adopt the best practice policy.

R39: The review was done by a consultant of the department. Every year for the last four years since this grant has been in place, we have said to them: ‘This is currently how we collect the data, this is how it meets the KPIs, if you
would like it in a different format or you’d like to mine more information of case studies and other things like that you need just let us know’. And they didn’t. Then after four years they said it doesn’t meet our needs. Well, we said: ‘What part of “just let us know” didn’t you understand? How can we meet your needs when you haven’t articulated what they are?’

**Methods of engagement**

Respondents described a number of ways in which they had led their organisations and their boards to engage with the compliance issue:

R35: If you look at it from my viewpoint, the board is forced to be much more strategic and objective about the organisation. Whereas once upon a time boards would have been wrapped up in the work and the heart of the organisation—although we now have a board that is still in that space, but it is a very difficult one to walk. For our staff, compliance in everything, in occupational health and safety, through to standards of service delivery, reporting and accountability … there is much more administrative work. The compliance and regulation around fire, even the registration of our volunteers and our carers. It’s 40 hours. That’s a challenge for us as an organisation, to meet all of that compliance. Not to be overwhelmed by them.

Many spoke of the strain both for themselves personally and for their organisation:

R32: It stresses us all out. It is a massive stress. Between Christmas and May each year, we are looking at the actuals and I say ‘don’t worry, it will be all right’. And by Christmas, half way through the year, that’s where I start losing sleep. We got all this money that we had hoped for that hadn’t quite come through and if you don’t get it early on in the year, you are not going to get it later, blah blah blah. I’m less worried, if I don’t get a project, I don’t have the work. That’s okay. But let me take you through what’s been fondly called traffic light report. Well, we’ve got green income, so we know we going to get that in the financial year. Then we’ve got amber, we think we’re going to get it, but we don’t know and no one’s written to us saying so. We’ve got pink for possibility. And pink is people’s bright ideas. Sometimes goes from
pink to green and we all go ‘Yes!’ Sometimes it goes from amber to pink, a decision maker says ‘Ooh sorry, I’ve had some collateral damage in Zimbabwe, budget cuts in January, come back to us in September’. So that’s really stressful.

However, most were ready to volunteer the constructive and often strategic ways in which they went about trying to deal with this complex dynamic. Some spoke in terms of striving to build up public trust and confidence in the organisation’s reputation in an environment that could generate bad press stories:

R37: We accept the regulation to an extent, to ensure that the sector remains honest, in terms of, any hiccup like that, distorts the public perception. We sort of build up that trust. Like any agency we have to protect our good name.

Others drew on their long experience of the sector to put in place regimes for the careful management of what could otherwise be an overwhelming situation:

R33: Some of it’s because I’ve done them for ages. We don’t have to tender for our funding. Our funding is on a three-year cycle and if it’s about getting the funding for a project then you just know that you put aside that week or 10 days to actually write it and you might not get it. And you write it and fingers crossed. So you factor it in what you do in relation to the strategic direction of the organisation.

Some were focused on the potential of technology to assist them:

R39: It’s not that we don’t want to be transparent. We do want to be accountable. But we don’t have, at this point in time, one database across all services that can collect client data. So what’s changed as well is, we’ve got a renewed focus or a focus on how we use technology to be more efficient and effective to deliver our services better to the community.

Others were focused on robust advocacy:

R34: I think it’s our role to question all of these things. You’re talking to someone who in his organisation has a dedicated risk manager, who is a part
of the senior management team. That’s all he does, to tell us that if you do that, that will happen. It can become burdensome. I’ve come to think of it as a necessary evil. There are two lines I use with donors who complain about where their money is going. One is: ‘Do you need a receipt for that? Oh yes, I need a receipt. How much does it cost to send a receipt out?’ And there’s the argument flawed. And you can turn the conversation around the other way, where I say to you, ‘If you give me 10 cents, I will turn it into $1’.

And others again on fundamental and strategic organisational responses:

R40: It comes down to a creative organisation as to how to best manage the funds. And sometimes you have to be prepared to do really big strategic things, like turning part of the operation into a company limited by guarantee and putting all those regulated government-funded programs into that company, with its own board, own CEO. We run all of the funded services that involve compliance, regulations, etc. and we keep quite separate the welfare work, the volunteer side of it. That is a real recognition of where an organisation has had to adapt and change. We are a company limited by guarantee. They are an association. So there is quite a difference in our structure. That’s about risk mitigation, that’s about compliance, being corporate in our outlook, giving it some legitimacy. That’s a major shift.

Others understood the importance of developing and using appropriate managerial metrics without turning the organisation into a bureaucracy that compromises the culture and vision-driven energy of the organisation:

R41: So one of the things I would say is that there has been a greater requirement to articulate the targets, the outcomes, the KPIs [Key Performance Indicators]. How you are going to evaluate that you have been successful? Monitoring and reporting? We are doing that. Basically, I would say we are progressively trying to strengthen our capacity in those areas, and there is a gap between ideally where we need to be to meet all of these requirements in an effective manner. But we are working aggressively to close that gap by building both the skills and the systems and culturally our way of thinking inside this organisation without becoming overly—without
becoming culturally over bureaucratic ourselves, so that the organisation ceases to have appeal for those who want to work in this area.

And several were very positive about the opportunities that these challenges represent in terms of their personal leadership:

R40: Absolutely exciting! I would have left ages ago. It’s thrilling.

Discussion

This was an area that attracted vigorous commentary from CEOs, who often expressed themselves much more emotionally than their words alone convey. Although the first chapter of this thesis discussed the reasons that the Australian federal government set out to reform the governance of the sector in general, and charities in particular, the theorising of the not-for-profit sector presented in the second chapter suggested the tensions and challenges encountered by political and management perspectives that try to treat the sector as a domain for regulation and control. Given the importance of mission in establishing a not-for-profit organisation in the first place, the reliance of the sector on voluntary effort inspired by commitment to a range of causes and values, and the difficulty of capturing its operation in traditional economic and market terms, it seems inevitable that the implementation of practices of monitoring and governance will trigger a range of responses, including some that are very negative. Some academic commentary has explored the ambivalence of actors within the not-for-profit sector in relation to efforts at improving governance and compliance (Phillips & Smith 2011). As Herman and Associates (2005, p, 51) have cogently pointed out, what may seem to one person to be a reasonable regulation may seem to another to be undue harassment.

Dilemma 5: Being able to advocate while being dependent

The nature of the dilemma

The essence of this dilemma is that some organisations want to advocate for their causes and make changes to systems where they feel there are problems or policy changes required. Not-for-profits have a long history of advocacy
because they have in-depth knowledge of the community they serve. Their experience and expertise means that they are acutely aware of the issues at the grassroots level, and their insights are invaluable. However, this becomes a fine line when the government partially or wholly finances funding. Whilst many organisations are recognised for their importance and they are involved in the shaping of public policy, the dilemma is that many still feel that they cannot fully express their concerns or that they are not being taken seriously or heard:

R2: So if you look at the way our sector has gone, we’re being pushed into a certain model and we haven’t got the young Turks coming in as CEOs saying that ‘This is crap, we’re not going to do it that way’. We’re missing that group of people and I think we have now got to the stage where people are not willing to stand up because there will be another community organisation that will say to the government ‘If you don’t like them, give us the funding and we’ll do the work’. So government has kind of put a muzzle on social action, because it’s actually rewarding groups who play the game by giving them funding and punishing those who want to challenge by potentially removing funding. So it muzzles us all.

R4: We’ve become risk averse. In all sorts of ways we’re now risk averse. Some of that is driven by our own lack of courage, but some of that is driven—Look I go back and reflect on John Howard and his prime ministership. I’m quite critical of the education system and how it supports and responds to autism spectrum disorders. Now I’ve got an organisation member who’s told me we should stop being critical of the department because they get money from the department as well and I’m saying, not a snowball’s chance in hell.

R18: If you bring the face of government onto you, you bring scrutiny … you bring attention to yourself. The attention can be doing more spot checks, more audits. I’m not going to do that to the organisation.
Methods of engagement

Organisations do find ways to have their voice heard despite the difficulties of speaking out. Several organisations mentioned working with others and, in particular, with the peak bodies that they are associated with:

R14: Look, I think governments are sensitive to negative press. And if you want a long-term relationship with governments, you need to be careful. But I think that if we feel there is an initiative that we strongly feel, that we will speak about it. But I think you need to choose your issues. It can be a difficult decision to make. But in the end, we want the best for our clients. We have to remember what and why we are doing it. I think it's the peak body groups that can speak out and speak on behalf a wide range of groups like us. Groups like us tend to want to be more focused on client outcomes, our people. Therefore, I think getting ourselves offside with government, which can happen, is not the best way to help our clients and at the end of the day.

R4: The kids abscond, we do an incident report; the kids punch another kid in the head, we do an incident report. Now that happens, we know that. You need to know, but what about when the kid went to school, when they did the dishes when they actually went and joined the local footy club. What about when they helped mediate some conflict between two other kids? You don’t get that. I know it’s fairly risk-averse system that could look at what bites us on the bum rather than what’s actually good practice, what’s good for the kid, what’s the best method for the kids. So it can skew what we do. If I want an easy life, I just manage the contract, keep my head down, don’t make too many waves and it’s fine. But I don’t want to do that … ‘That’s nuts!’ We’ve said it, we’ll stir the pot. But they’ll make a decision that they are right according—responding to the pressure on the system and we are responding to the pressure of what’s right and they’re not the same. So some of it’s to do with being willing to make statements and waves. I try look at what’s new, what other people are doing, what about peak body advisers? Then I try and speak directly to them and say well if you’re not listening, I will go above them. Do it the right way.
R6: Mandatory reporting hit the whole system very hard because it brings a flood of notifications, but they are usually very low quality. That had an impact. There was legislation in 2006 and the department basically framed the system in a way that suited them. Our influence is that to push here and there. But over a period of time if you and a number of people are pushing in a similar direction and the political wind is blowing in the right direction you might actually get some change.

One of the things that I will say the current government has done federally is to acknowledge the rights and the obligation of the sector to make criticism of government. Previous government got very upset because someone had a website without asking, for people to complain or comment about Work Choices. It wasn’t even a full-on campaign and they [the government] were upset about it.

Size seems to be a factor: two large organisations were very confident that their particular kind of funding would never be jeopardised:

R5: Oh, we say what we like. Because we are funded by the state government that’s where we have the most say. We do put in submissions to federal government around the Family Law Act. We and others kicked up quite a fuss. Had questions, had the Greens ask questions. Because they hadn’t consulted, hadn’t looked at their evaluation, hadn’t released the evaluation and yet they were going to go and extend the life of these things without looking at some things in the evaluation, and we kicked up a fuss and they were all kind of miffed. They were like hurt. [laughs] They were hurt. It was like we had offended people in some way. It was no question about losing funding, it was not like that. It was like, ‘I thought we were friends. You did that without us!’

R7: You don’t ever lose hope. And you just have to continue to push the envelope, to push the issue. To advocate for change. In a way, in an intelligent way, to use your peak body when it’s appropriate. Lobby your local MPs about the changes needed. So that’s one part of it. But managing the organisation? You get on with it. You can’t close the door, it is a 24/7 service. You have clients to serve now and you have to do the best you possibly can.
with the resources you have got about available at the time. Meanwhile lobby for change.

**Discussion**

For many organisations advocacy is a part of who they are and speaking out for those in need has been a long tradition (Phillips & Smith 2011, p. 247). Advocacy supports a robust democracy and a vibrant civil society (Onyx et al. 2010, p. 41); however, there has been limited research on the role of advocacy in Australia.

But some commentators have taken up the issue in the public arena. The Public Interest Advocacy Centre and the Whitlam Institute have observed that the expansion of government funding of NFPs to deliver human services has had a transformational effect on the sector, to the extent that many NFPs have become increasingly, and in some cases entirely, dependent on government funding (Productivity Commission 2010, p. 302). In turn, they suggest, this funding relationship raises issues around power and control.

The issue was raised several times in the Productivity Commission report. The Western Australian Government commented that ‘a majority of national research into the contribution of the NFP sector focuses heavily on service delivery contributions, with less focus on the sector’s role in advocacy and connecting with and enhancing the community’ (Productivity Commission 2010, p. 102). A variety of not-for-profits submitted opinions about the control over advocacy. The Brotherhood of St Laurence spoke about advocacy and policy advisory roles arguing that ‘... the new approach ... had adverse effects ... [including] ... the use of funding contracts “to curb and control criticism of government policy or even participation in its formation”’ (Productivity Commission 2010, p. 295). And the report itself concluded that ‘Purchase of service contracting may undermine the advocacy role of NFPs. Either explicitly by contract or implicitly by perception a community organisation may feel constrained in playing this role’ (Productivity Commission 2010, p. 306).

From the interview data reported here, two kinds of groups emerged that felt more comfortable in speaking out. One was larger organisations, where
possibly the government and public very much rely on their services. The other group felt very confident that their organisation has integrity, a strong history and that criticism of the government is clearly relevant or justifiable with respect to the organisation’s mission and values.

However, it seemed that most organisations chose to join forces with other like-minded organisations or work through an industry association or peak body that undertakes lobbying on their behalf. But this too is problematic, as peak bodies must represent a variety of different groups with diverse backgrounds.

**Dilemma 6: Trying to be innovative in a risk-averse environment**

**The nature of the dilemma**

A theme introduced by a number of those interviewed concerned the challenge of trying to be innovative in an environment experienced as risk-averse. This is not only an issue for organisations founded by an entrepreneurial or risk-taking individual or group in order to fix an unmet need in society. Social innovation can be attempted at any stage in an organisation’s life cycle, as it tries to find new solutions to societal problems. Arguably, it is vital for most—if not all—given the continuous change occurring in communities and the need to re-establish organisational sustainability.

This requires care:

R38: Yeah, I think definitely charities should be innovative, but they’ve got to be encouraged to be. You don’t want to be innovative for innovation’s sake. I mean sometimes it’s the tried and true is what needs the funding. Often you don’t get any funding there but they’re willing to fund some harebrained scheme that they’re willing to make work. So you’ve got to make sure the tried and true is funded. You know, for us, enterprise is something that we want to look at. But again the funding streams—how to set them up is a challenge because we can’t afford to lose a [brass] razoo at the moment.
However, innovation and creativity were thought to be counterbalanced by a number of factors, most particularly an environment of government-driven compliance and regulation:

R3: Government doesn’t do much thinking about new models, so we as an industry need to be more proactive.

R2: We’ve become risk averse. Just doing. No time for thinking. The government never learns from the past; it just repeats it over and over. We’ve become so fearful of failure we don’t do anything.

R11: Regulation has stifled innovation and agility. There’s a lot of work that needs to be done to convince government of what is innovation in the sector.

R40: The government is risk averse. The sector is risk averse. The government doesn’t understand the sector. The government is killing creativity in this sector and trying to encourage it at the same time.

R15: The government has a huge culture of being risk-averse. But the government needs to think about social innovation as do not-for-profits, who always were innovators.

R39: As a culture, in governments, many people are completely risk averse. That’s part of their job role. As services have got more complex, and risk has gone up for the service provide. Risk has also gone up for the government, because if service x stuffs up, it bounces back to the Minister. We’ve had a recent example where an agency put some publicity around something that went wrong and it was very quickly an issue for the regional director. They use these sorts of examples then for political mileage in terms of ‘this is exactly the sort of thing that we’re going to change’. Increasingly they are wanting to be more interventionist. We are hearing that, from a state government perspective, any agency under about $5 million, unless they’ve got really exemplary structures and governance, is too small. So they’re pushing for this larger, safer model.

R36: Innovation is, you know, difficult. When I first came into the sector, the thing that the sector said about itself was, government is never innovative,
we are the ones that do the innovations. And I think there’s still truth in it. I think that there is the capacity, but often the issue is, can they generate enough funding to actually do it independently of government funding or particular donors?

Some drew attention to the limiting impact of short political and funding cycles:

R6: Every government is risk averse. It takes a brave government, because they want to get back in. The election cycle time is small.

R32: I think governments when they are fresh and new are less risk averse.

R39 talked about being able to speak out against only a new government because a mature government ‘beat you up in Parliament on it, in public. He has got a statutory role to be able to be allowed to do that’.

Others drew attention to the impact of what is called third-party oversight by the Ombudsman and Auditor General. This oversight has political consequences, as well as consequences for the agency. For the agencies, it can also produce a sense of being powerless, of being the meat in a very complex sandwich. A number of respondents gave examples of being directed by a government department, against the respondents’ advice, to take actions that later had negative consequences and became the subject of third-party review. Their view was that these operational experiences have created a background that makes the likelihood of innovative thinking quite unlikely.

In the light of this, the contemporary environment of transparency and surveillance through modern technology and communication is a mixed blessing:

R41: My big metathesis is, coming back to information, communication, technology, and particularly the communications revolution, and along with that all the things we know about 24-hour media cycles. Absolutely instant feedback on everything that you do has a crippling and paralysing effect on people’s ability to be creative and makes them highly risk averse, and boards and CEOs generally aren’t immune from that. They want everything! You know, they want to be creative but they don’t like bad publicity.
Short funding cycles are also challenging. Some innovative funding grants are often for short periods (such as 12 months), but involve a great deal of work for what are usually small funding streams. Respondents also reported that they also have the effect of raising client expectations, which can be a huge disappointment when a program ceases the following year:

R41: Project funding militates against creativity and innovation. There is absolutely no doubt about that. So every piece of innovative work we have done in the last couple of years is because we have been able to use some reserves money from donations or bequests to invest in that thinking and development of the organisation. Project funding does not allow for that and that is a major mistake and that is really because there is too much focus or accountability on outcomes and not enough focus on the investment in the organisations, the processes that will inevitably generate the outcomes. Which means that, sure, your outcomes might be outcomes, but they tend to be what I think of as rote outcomes, not the ones that are the productivity, the product of great creativity.

For individual CEOs, this can create a very personal manifestation of the dilemma:

R35: Policies are there as guidelines, barriers so you do the right thing, the most appropriate thing. And that’s part of the growth of organisations and their development. For us, the risk management is about providing a clear as structure as possible, but accepting diversity and that people will look at things different ways. So wanting to encourage and at the same time being able to say, sorry that isn’t going to work or that falls outside the way we operate. And not just knocking people on the head, we don’t want to stop your energy, your enthusiasm, your passion for the work. The thing is that many innovators, thinkers outside the square, struggle to work within organisations and with instructions. So it’s balancing all of that. And I would love to be able to say to you that I know how to manage that, and my answer is that at the moment I am very lucky that we have lots of people with good ideas and willingness to learn. And at the moment we have a willingness to let them. If something blew up in our face it may well be different.
R16: We’re so busy and cash strapped that we haven’t time or money to invest in innovation. I don’t have time myself.

However, a small minority of respondents were not as negative about the role of government in encouraging innovative practice.

R14: To be absolutely fair, certainly the Victorian experience I have been involved with, government does drive innovation. And if you look at the [blanked out] sector, the government has driven agencies from various areas to come together to form single doorways into various services. And we’ve been involved in a number of pilot programs. I don’t think any of those agencies on their own would have developed any of that.

**Methods of Engagement**

And many recognised the need—and ability—for agencies to do more themselves:

R30: CEOs have to be quite creative in order to bring that in the financial stream, which makes it a competitive process. There seems to never be enough money, time or innovation.

R3: The industry goes to the government about money. But we need to be more creative, more innovative.

R27: There’s very little entrepreneurship in the sector, which is losing the gen Y. You have to embrace creativity. We’re very clear about our finances, HR, yes, yes, yes. That’s our bread and butter. But where’s the risk taking? Let’s take the sector to the next level.

R22: We are already a very innovative organisation.

R9: The government has huge pressures, but we have a high level of creativity even though there is a lot of compliance.

R38: We haven’t done it yet, but I’m pretty sure for us it’s going to be through partnership.
R2: Government does need to be more courageous to support the sector to be innovative, even 1 per cent … for some action research … an innovations fund. But we can do something ourselves through partnerships

Some spoke about the ways in which they personally were trying to engage with it:

R13: You need to look after your team, let them have their creativity.

R18: I don’t find space for creativity in the day. I do it when I go home to feed the family, and the kids are doing the homework. I strap thoughts together over the weekend and when I take a holiday, it comes to me. If I have holidays, we run better!

R37: I certainly don’t have space for matters like that unless I manage myself very carefully. I never have the Blackberry as a phone. If I had that as a phone, I’d always be checking e-mails and following up things and you would never feel like you were switched off.

R38: We dropped off the innovation; I don’t know why that is completely. We are sort of maintaining a bit, though. Different pockets are doing it. In our next strategic plan, I’m going to try to get us to be more innovative.

R33: You just manage it. Absolutely, it’s my work. That’s not separate from my work. That is my work. You have ideas; you think about things, go different ways, on the tram going to work, at home, whatever. But it’s also—I don’t want anyone of my staff to work more hours than what we’re actually paid to do. So if I see anyone trying to stay behind, I send them home. And if they can’t manage their job in the hours, then it’s my responsibility to look and shift the tasks around so that they can. And that’s part of being a feminist manager that you don’t kind of overwork your staff. I listen to my staff so they have lots of ideas and allow them to be creative.

R36: You have to tell the story, I think. Then you have to target where you tell the story. And you have to build the relationships. Part of the journey that we are on is saying given the size we are, we have been a bit of a minnow really on public influence. We have been able to advocate for individual clients
really well. We have been able to do particular submissions really well where it has been a passion for us. We are only just in the last two years developing the grunt at a state level and at a national level to influence policy. And we think that’s ultimately where we need to invest our efforts if we are going to help the sector broadly and ourselves and our clients.

A number of others echoed this idea of CEOs creating more strategic positions of influence:

R32: At the moment in Victoria, the opportunity is for radical redesign. In the social sector space, it’s about how do you apply the principles of redesign to community services, and obviously you can’t run that process by simply having a range of organisations sitting in a room with government. If you are going to actually redesign something, you need to redesign it with the people whom it is designed to assist. It needs to be led as deliberate community development.

Discussion

Both the academic and the industry literatures acknowledge this dilemma, seeing it as a mutually reinforcing dynamic. For example, Dover and Lawrence (2012, p. 992) argue that parts of not-for-profits are well suited to the creation of new ideas, and these not-for-profits are capable of being very imaginative and innovative in their programs, improving organisational effectiveness. However, not-for-profits struggle with the inflexibility and rigidness, often from multiple stakeholders and funders. This can make responding quickly and appropriately to those in need intricate and difficult, calling forth criticism of their performance. As Chen and Bozeman (2012, p. 379) comment, those ‘experiences of impaired performance can lead to a chain of behaviour from government that includes excessive rules, risk aversion and additional red tape’. Grant & Crutchfield (2007, p. 41) advise:

Government leaders can begin to see nonprofits not just as a convenient place to outsource social services, but also as a valuable source of social innovation and policy ideas. Business leaders can partner with leading nonprofits to devise innovative systems that harness market forces for the greater good. And individual donors and
volunteers can increase the social return on their investments by supporting those nonprofits that have the most impact, rather than those that adhere to conventional, and misguided, ideas of efficiency.

In Australia, the Productivity Commission (2010, p. 336) found from their own consultations that government agencies believe that whilst operational and financial risks are borne by providers, they substantially carry the risk regarding service delivery and reputation. For donors and the government, reputational risk and public criticism is highly problematic when programs fail. The report concluded that this has led to individual departments adding more regulation, so that when charities deal with a variety of departments the level of compliance is multi-layered. This in turn feeds a wide-spread perception in the third sector that government inappropriately uses contracts and service agreements to transfer risk and associated costs to them. This can limit innovation, flexibility and a willingness to try new approaches, particularly where vulnerable clients are involved (Productivity Commission 2010, p. 241). The report concluded that governments need to work towards finding the balance between risk reduction and political risk, so that charities still feel they are able to create new value, be proactive in carrying out the mission of their organisation, and think in innovative ways about the future. And Dover and Lawrence (2012, p. 993) observe that ‘continuous innovation in non-profit organizations is a fundamentally political process and that power can play a positive, generative role, as well as a debilitating one’.

Although many studies look at the structural and government pressures affecting innovation in the sector, others draw attention to the role of organisational culture and leadership on the entrepreneurial orientation of the organisation. Beekman, Steiner and Wasserman (2012, p. 27) argue that these are key issues in successful innovation, and that a high tolerance for risk and ambiguity in the leadership team is a critical factor.
Dilemma 7: Long-term planning versus short-term resourcing

The nature of the dilemma

For three-quarters of those interviewed, the tension between developing long-term aspirations and innovative strategic plans and working with short-term and uncertain budgets was mentioned as a problem for the sector as a whole, although larger organisations were less likely to raise this as a problem for themselves.

This dilemma has a number of dimensions. According to some CEOs, public opinion can be that not-for-profits should be seen to be frugal but not to save too much money, but this view does not factor in the need to invest for the future, and has been slow to change. However:

R7: I think there is a realisation that ‘no margin, no mission’. All services, whether you are a for-profit or not, need to make surpluses so they can invest back into their product, so that they can be sustainable and continue to be able to carry on their mission.

R1: You’ve got to be bigger and you can’t be bigger just by saying it as the money is drying out. There is a fair bit of pressure for organisations like ours to be what they [government and funders] are calling sustainable. And that means they want to know your vision, although that’s very hard to do when you don’t know where the money is coming from.

R14: In ten years time, we will still be here. One of our key focuses at the moment is longevity, which is why we’re happy to get involved in things like quality assurance and processes, because we see that we need to do it. We also want to be innovative and provide good, quality service. There’s no question we will be there and hopefully we will be even more secure. But smaller agencies have got real troubles. Just meeting the red tape of government must be a nightmare for some smaller agencies. If I was to be honest about it, I think there is a preference in government to deal with bigger agencies that have a proven track record. Whereas a smaller agency—they are a Johnny-come-lately. They don’t have a long history. Can we have any assurance that in three years time that they will still be there?
Will they hang together with their local committee, etc.? Will it all still be functioning? Will it get swept under the same banner in that sense?

For some not-for-profits, particularly in aged and health care, the need to grow can require an enormous injection of capital and a very significant change in the nature of the operation:

R3: That tension is we’ve got to build a lot of our facilities. We have never borrowed before. Where are we going to get money from? We need a couple of hundred million to rebuild. Getting from here to there requires a mindset and capability that at present we just don’t have. And it’s not just about money. It’s about mindset and skills.

R1: We only have $2.5 million. We obviously have an executive director, a finance manager, HR. The HR person does communications, some of that is external stuff, but we just don’t have the resources really to put into arguing our case.

R41: The real problem is that project funding does not invest in the capital of the organisation. I mean the intellectual capital as well. Project funding makes it very difficult to invest in the development and growth and the intellectual capital of your organisation, because you do need to find large sums for the introduction of systems, for example. I would imagine that ICT [information and communications technology] is one of the biggest sponges for large amounts of money. So for an organisation to meet the current levels of monitoring, reporting, overarching accountability that are required, systems are needed. You have to aggregate small amounts of money from different sources, over time, in order to be able to invest in the upgrade of the systems of your organisation and the knowledge base of your organisation. You have to be incredibly resourceful.

R6: There is not only a short-term focus in terms of money; government is making decisions that are very short-term too. On the one hand it discourages you from trying to think long-term and on the other hand you sort of realise that if you are going to make any [money], sustain yourself and
your capacity to do things then you have to try and to some things longer term.

Building wise we are very stuck. The only solution in the short term would be to have less staff and to have a better building. So unless we could come up with a sort of major grant strategy and get a lot of people to put a lot of money in to buy a building, we are really stuck. Some days you cannot get a desk because everyone is here, all the volunteers are in, and then there are very quiet days. It is a juggling act.

R7: Capital access is usually in the markets. The third sector is very loath to borrow money. They see it as selling the farm by gearing their balance sheet. There is a sense that, if you are gearing your balance sheet, you can lose it all, and you can’t lose it all … the history. You know, people have given blood, sweat, and tears; we cannot possibly put it at risk, by expanding too quickly and leveraging our balance sheet.

Methods of engagement

Some not-for-profits are trialling small ways to problem-solve how to gain capital and plan long term:

R32: Actually just sitting with a group of people who have enough time to be thinking. It was a policy officer from one of the peak bodies, one of the research executives from another, a couple of the CEOs, early in the year, January before it got too busy. Just that was huge—to get everyone in the room. We’ve now basically folded the group because it was too hard to get people in a room thinking about the future when you’ve got so much on right now. But it’s out there somewhere. It’s out there somewhere, I’m sure.

R36: I am going all over the place, looking for models. I understand the state government is particularly excited at the moment about a model from the UK, and another one from the USA as well. You’ve got to be prepared to look at things and see how you might have to modify them, but the fact that it works somewhere is so exciting.
R39: I think the sector is travelling a very difficult path at the moment. Maybe this is reflected on our experiences recently but the uncertainty of things, the uncertainty of funding, the short-term-ism of pilot projects. You know. We’ve asked for client funding from so many places because they say they can’t fund something that’s already started; they can’t do it because it’s ongoing. It’s a current—it’s an amazing program—just fund it! It’s $80,000 a year—just write the cheque! Honestly! How crazy is this! You know, and when we’re talking about billions and billions of dollars being spent on health care. There is no long-term social policy.

Discussion

Governments promote not-for-profits to be businesslike, efficient and effective. Strategic plans and long-term goals are expected, yet charities often have little savings to accumulate and have difficulties accessing finance. Short-term funding creates uncertainty for providers, forcing them to deliver now whilst undermining their ability to make and implement long-term goals. The Productivity Commission (2010) noted the government’s attitude and mentality as corrosive when viewing not-for-profits as a ‘cheap’ way of service provision (Productivity Commission 2010, p. 384).

Organisations need to put infrastructure purchases and maintenance to the wayside and meet shortfalls in activities, as the government does not fund all activity costs (Productivity Commission 2010, p. 288). Grants can help with additional funding but they are never cost effective or assured, and are resource intensive (Productivity Commission 2010, p. 293). The short-term funding causes the government its own delays, creating further uncertainty and in turn making it difficult for not-for-profits to retain staff:

Government agencies need to ensure that the tendency to employ contracts of less than three years duration does not reflect a disproportionate focus on marshalling resources and establishing processes rather than achieving outcomes, or a degree of inflexibility driven by a ‘one size fits all’ approach to contract management. The duration of service agreements and contracts should reflect the length of time required to achieve the government’s objectives in funding the
service and be guided by the overarching principle of achieving value for money (Productivity Commission 2010, p. 335).

Not-for-profits need the appropriate duration of funding with contract extensions where appropriate. Programs should be negotiated with adequate resources and increased flexibility. The Australian Red Cross observed that:

A focus on outcomes, as opposed to outputs, requires a longer time frame. Where intergenerational or social change is part of those outcomes, Red Cross has committed to working with communities for a minimum of 7–10 years, and urges governments to adopt funding cycles which match their aspirations for long-term, sustainable social change. (Productivity Commission 2010, p. 336).

Not-for-profits also believe the government does not adequately cover indexation or the higher operating costs for organisations in rural or remote areas and they will need to work hard to continue to lobby the government for resources that cover program costs, including indirect cost variations. Without this, organisations reduce their capacity for long-term efficiency and continue to face administrative burdens.

**Dilemma 8: Needing skilled staff but having limited means**

**The nature of the dilemma**

Expectations of professional service delivery are fundamental for not-for-profits who are funded by government and donors. Together with the requirement to develop adequate organisational capabilities such as IT, marketing and financial management, these translate into needs for skilled staff. But attracting and retaining committed and skilled staff on limited and insecure budgets is an ongoing challenge:

R5: So that’s a huge tension because there is an issue about retaining staff. There is a lot of people like myself who have worked in the area for a long time who have stayed and will continue to stay for whom money is not so much of an issue because of our age. But it’s harder to retain younger people, so that is a serious problem. And it is not going to go away.
R34: Okay, so if you go and work for nursing at one hospital and you move to another hospital, you take your Super with you. There’s none in the sector. We went out and did a survey of the gen Y’s, and they weren’t really interested. They would rather have a 1 per cent higher pay rate so they could save up a bit and go and travel overseas.

R14: In a high employment environment, and we’ve been identified as the lower paying sector, it is going to be increasingly difficult, and it already is difficult to attract quality staff and to retain staff, and we’re seeing turnover. What makes them stay? I get asked. Well, a quarter don’t!

Some of those interviewed contrasted the drivers of money and commitment to the sector:

R40: I think a lot of people come into the sector with starry eyes and find that, ‘Oooh, this is actually harder work. You’ve got more responsibility, you’ve got fewer resources. I don’t want to stay here’. So we’ve got a reasonably high turnover in the first two years and then if you’ve got through the first two years, they tend to stay a long time.

R30: I have two staff/nurses who stay out of loyalty, getting $10 less an hour. Money isn’t the only barter.

R21: I get paid 25 per cent of what I could earn in the for-profit. I earn less than $50,000 per year and my friends earn $200,000. I do it because of the work.

R34: Nobody wants to be in aged care. And there’s a bit of guilt about that. Okay. ‘I feel bad about putting Mum or Dad there so don’t you dare get it wrong’. If somebody dies in an acute hospital ward, that’s not nice, they died. If somebody dies in aged care, ‘What happened, where were you?’ The conference that I was at last week there was somebody talking about proper care. Now this proper care notion was in the context that of what we are paying nursing staff, what the acute sector pays and what the aged care sector pays. The difference is not just in terms of wage levels, but in the number of staff working there, and the staff ratios. Eventually a woman got up and said ‘I manage an aged care facility. I am a registered nurse and I get
very angry about this notion of proper care. If you saw how some of our residents come back from stays in hospital who are dehydrated and malnourished with bed sores, etc. you know, why isn’t the scrutiny on the acute sector?’ That’s what it’s about. So that’s an example.

R22: It’s not right really. The community values, and wants to be paid high wages for, what they do in the for-profit sector, but moans about a community worker at $40,000 per year. It’s extremely difficult.

R23: Government is doing tendering for programs with costings for wages that is below what they get paid.

One respondent felt that not-for-profits could be guilty of exploiting the commitment of staff:

R40: I once worked with an organisation that claimed that one of the principles to which it was committed was that it ‘values people’ and ‘does not permit the accomplishment of goals at the expense of people’. However, the organisation had an approach to fundraising that emphasised continually increasing the number of dollars raised and reducing administrative costs without consideration for the effects of such goals and policies on the relationships among staff or between donors and staff. The outcomes was that managers tended to push staff to achieve more impressive results—that is, raise more money—without regard to the impact that pressure might have on either the donors they worked with or the staff themselves. This seemed a direct contradiction of articulated values and led to high staff turnover.

And many commented on the dilemma of wanting better pay for staff but not being able to afford it:

R14: Even if the wage equity case comes off, it’s going to cost billions, and the government will need to increase funding enormously to keep up. It is just a huge issue for us all. It is money we don’t have. And anything that government actually does, probably will help the big not-for-profits more then the smaller ones, so I don’t know how you stop that.
R40: I would also say that staff are much better paid than they were 20 years ago. I think the demarcation what we pay and what the business sector pays is lessening with the recent wages case and after that it will disappear altogether. What impact that will have in terms of what type of people will work in the sector, I don’t know. The level of passion that the staff has remains fairly constant; I mean it’s always been a passionate sector.

R38: There’s a whole wage case in Queensland that could be potentially disastrous for not-for-profits. But I just don’t think that there’s a flexibility in there for not-for-profits. We have to pay overtime, we have to do this, we have to do that—it could all send us broke. Not that I’m saying that I don’t want to pay people fairly, but it is charity and people should have the right to choose that, okay, I’m going to work for charity … you know. So … if you want to get rich, stay being an accountant. You know. Do something else.

**Methods of engagement**

Those interviewed described a range of ways in which they tried to deal with this dilemma, including the provision of more flexible work arrangements to offset lower salaries. Others spoke of trying to be astute in selection, while others were more pragmatic about the inherently messy process through which people make the trade-off between considerations of pay and vocation:

R34: Part of my job is to keep up with it. Part of it is also to try and recruit good people who have expertise in that area. Who are able to bring whatever commercial acumen that may be needed, but who share those values. It sounds corny to say it, but it’s about finding people who really want to be in that space. I mean I’ve got people out here who’ve got two and three postgraduate degrees. But finding them is trial and error. There is no science to it. Plus it is a very individual thing. Most people take a couple of years to work out if it is for them, and my job is to make it easier for them to commit.

R41: These organisations don’t run with big margins, they run with small margins and that means you are looking for staff to be multi-skilled. You are attempting to meet different kinds of challenges with one person—both the substantive subject matter plus the administrative requirements. You are hoping that your staff can do both of those things.
R7: People actually self-select; they are attracted to the organisation: ‘What is the true ethos within that organisation? When I come here, how am I going to experience by working environment here? What are the values? Are they lived? In the way the staff are treated, the way in which clients are treated?’

R15: How do we keep staff? Flexibility, being proud of who we are, integrity, multiply what a corporate would do by 10.

R14: I think it’s hard to beat a higher salary. At the end of the day, you can provide more flexible working arrangements to the 9-day fortnight, 19-day month. We’ve introduced purchasing leave, where if your annual leave is four weeks, you can salary sacrifice to buy another two weeks. It’s a very tax-effective way of gaining an extra couple of weeks of paid leave. But we’ve looked at our salary levels, and certainly in key areas, we have lifted them. It is inevitable. We have had to use modern marketing, HR tools to assess what are these positions out there in the market place and we have to pay similar amounts.

R20: I offer a lot of flexibility to get staff to stay. They work from home. My office worker has been here for 13 years so she works one day a week from home and we can negotiate that.

R7: One of our challenges in the third sector, and it’s one of the things we are wanting to do here, is connecting to the Y-gens. It’s not only because we’d love them to donate to our organisation, it’s also motivated to get people connected to a sense of civic engagement, civic duty. We are developing up a scholarship program around—we’re going to roll it out. They might actually start thinking about how could I professionally impact on building a good society; what does a good society mean to me?

R31: A lot of my counterparts of CEOs, who run non-profits, always bemoan the challenges of workforce. Being able to recruit and retain skilled staff. We don’t have that issue. We created what we call a hybrid role, with a customer service focus with some add-ons. People can also drive the buggy and they can also do a suite of other things. So it’s more challenging and interesting. We can retain staff longer because the roles are varied. We can pay more,
above the award; because the role is more substantive, and the benefits to
the customer and clients are that they don’t have to go to different people for
different things. So that model works really well for us.

R32: We are small. We weren’t employer of choice. No one had heard of us
at all, when I started here, even though we had been around for a long time.
So even if we advertised a job, we weren’t paying that much nor were we
well known enough for people who were achievers to work for us. So the
strategy was to grow your own. We did a lot of work to grow your own people
internally, to try and have a mentor and opportunity for people to take on
stuff. Trusting people to run with stuff. It’s worked.

Discussion

Attracting and retaining committed and skilled staff was clearly high on the
agenda for CEOs and their organisations. Over time, many voluntary positions
have been replaced with paid staff, and higher levels of skill and qualifications
have come to be expected to deal with complex tendering and accountability
requirements, as well as clients with complex needs. Community expectations
have also risen. As Herman and Associates (2005, p. 660) have observed,

> It is essential that the compensation system attract and reward the best
quality workforce it can afford, since the organization’s human
resources are indeed its most important resources. Without them, the
organization’s goals cannot be achieved and its values cannot be
enacted.

NFPs in Australia spend about half of their expenditure on labour costs
(Productivity Commission 2010, p. 78). However, many NFPs can offer only
award wages and fixed-term contracts. Funding arrangements that are often
short term provide no stability for staff seeking more security in their position:

> Governments often adopt a partial funding model for a range of
services, even for contracts that are deemed to be purchase
agreements. This requires NFPs to subsidise service costs from other
revenue sources. A significant consequence, especially for community
services, has been that wages have been squeezed to the point where
many NFPs find it difficult to attract or retain professional staff, with implications for the quality of services (Productivity Commission 2010, p. xxxii).

Because recruitment and training of new staff are expensive and time consuming, retention of good staff should be a high priority. This is proving a challenge for the sector, which experiences a high level of staff turnover. Yet the Productivity Commission noted the ambivalence that still exists in the sector in relation to training, which is often seen as wasteful even though others argue that in the long run, it creates a more effective and efficient NFP (Productivity Commission 2010, p. 273)

Herman and Associates (2005, p. 225) suggest that there are ethical issues in play when not-for-profits implicitly or explicitly assume that staff should simply accept poorer pay and conditions, or even poor management practices, in the name of vocational commitment: ‘For instance, what about a situation where questions are being asked about whether a “progressive non-profit organization” is exploiting its employees or whether it is being true to the values it claims to represent in the ways it treats them?’ The interviews did not acknowledge this possibility, and some, as illustrated in the responses shared here, thought it entirely reasonable to play the vocational card.

**Summary**

The readings of the data presented in this chapter have offered a view of the complexities of the sector that reflects the words of the CEOs themselves. This complexity is captured in a series of dilemmas: the experience of being caught between conflicting pressures or drivers for action. Not every CEO articulated every dilemma, but of the 41 people who participated in the study, only five made no references to any kind of dilemma.

Eight dilemmas have been presented in this chapter, through thick descriptions that attempt to capture the full range of CEO commentaries. Most of the dilemmas focus on their relationship with government and the issues that surround their funding by government. The Productivity Commission Research Report, which appeared at the time the interviews were being conducted,
directly acknowledged many of the tensions that the CEOs raised. For example, it noted that:

… many NFPs would agree that they face constraints on increasing their production efficiency due to difficulties accessing finance and in freeing up resources to invest in training and enabling technologies such as management systems. These constraints can create a tension between delivering now and being efficient in the longer term (Productivity Commission 2010, p. 21).

In Australia, the government funds programs, rather than organisations (Productivity Commission 2010, p. 280). Costs that not-for-profit organisations believe should be covered, but are not, include contributions towards overheads such as infrastructure and systems, staff training, annualised cost of capital, reporting, monitoring and evaluation. In addition:

There still appears to be an attitude within some government departments that NFPs are a ‘cheap’ way of ensuring certain services are provided. The attitudes, norms, and values that come with this type of mentality are corrosive to the underlying relationship between government and NFPs and undermine the sustainability of service delivery (p. 384)

Excessively short-term funding can create uncertainty for providers and undermine their ability to plan and efficiently allocate resources. It can also create an administrative burden for those organisations that are reliant on multiple short-term funding agreements. For providers, delays in finalising funding agreements can create further uncertainty, making it difficult for them to retain staff and the interest and commitment of volunteers and donors. The duration of service agreements and contracts should reflect the length of time required to achieve the government’s objectives in funding the service and be guided by the overarching principle of achieving value for money. In practice this means that the appropriate duration of funding agreements is context specific and needs to be determined on a case-by-case basis (p. 335).
Unlike for-profit business, not-for-profits do not operate with a disciplined market view or ‘the taskmaster of price-to-value as an indicator of worth’ (Raymond 2013, p. 3). The sector undoubtedly faces specific financial risks: noncash contribution liabilities, over-reliance of specific sources of funding (McMillan 2012, p. 178, minimal working capital and shortfalls in donations (Primoff 2012, p. 51). Against this background, management of borrowing and debt promises to be a particular issue looming for the sector. When there are declines in revenue, many smaller not-for-profits have nothing to fall back on, or are fortunate if they can use past savings to smooth spending (Jones, Kitching, Roberts & Smith 2013, p. 88). Not only is there potentially a mind-set issue to be overcome in taking on debt, the liquidity ratio has always been key in the ability to access borrowings through traditional avenues, a test that many not-for-profits would struggle to pass (Geveden 2009, p. 48). Some commentators are making the case for social finance; a field still in its infancy, but these additional options may be needed alongside seed-funding, loans and investments (Sobolov 2010, p. 329). At the very least, they will need to look for alternative revenue streams and operating models, such as social enterprises and fee-for-service contracts.

While the Productivity Commission Research Report provides a well-researched conceptual analysis of issues relating to the Australian not-for-profit sector as a whole, the CEO commentaries reported here ground that conceptual analysis. They demonstrate how the issues are framed and experienced by people who must connect the interests, efforts and actions of the many stakeholders who are involved in the work of any individual organisation: clients, donors, volunteers, government, staff and bureaucrats. Their commentaries bring alive the tensions they struggle with, particularly in their relationship with government, and are focused both at systemic and organisational levels. These struggles were described by the researcher as dilemmas, based on an inductive, open-minded reading of the transcripts. Inductive work, however, requires that ideas developed from the readings be subjected to assessment and refinement based on a review of the literature. So the next chapter not only examines the robustness of the idea of dilemma, but
sets out to inquire more deeply into the dynamics that create and reinforce the dilemmas described here.

It is interesting to note, too, that in a reasonably short space of time, significant changes have taken place for nearly one quarter of those charities and CEOs involved in this research. Most of the conversations with the CEOs took place in 2011 and 2012. In April 2014, the researcher undertook some desk research to find out what had happened to the 41 CEOs and charities. A review of websites and annual reports established that total revenue across the charities had increased by nearly $350 million. Seven of the largest charities increased their revenue by almost $200 million between them. On the other hand, at least eight charities had a deficit in either or both of the last two financial years. Of the 41 charities interviewed for this thesis, one has ceased to exist and 33 remain in a similar organisational form. One of those charities has changed its type of charitable status and name, and another was closed for one year during the last three years. Seven charities have merged or are merging. At least five CEOs (all males) had retired and several had moved to other charities.
CHAPTER 5

REFLECTIONS ON ORGANISATIONAL AND SYSTEMIC PARADOXES

The reading of the interviews presented in the previous chapter used the theme of dilemma to make sense of the commentaries of the 41 CEOs interviewed. As indicated in Chapter 3, these commentaries were messy, circuitous, overlapping and non-sequential, because the CEOs took up the conversation in ways that were much less structured than the researcher had anticipated, often pre-empting questions or circling back to earlier parts of the conversation. Indeed, the initial challenge in reading the interviews was to find a way to represent the qualities of looseness and richness of the conversations.

As a result, a holistic reading of the conversations was undertaken, using commentary from across each interview, rather than structured around the specific questions asked. The search for patterns of any kind was initially based on stories that people imparted to illustrate the points they wanted to make. These stories were very concrete and served to operationalise their ideas. Because they were stories, they were action-oriented, capturing not only the issues the executives thought they faced, but the practical choices they believed they had to make. As was also mentioned in Chapter 3, there was a sense of struggle that pervaded these stories, a sense of grappling with choices that were hard to make, but had serious consequences for the organisations CEOs led. So the idea of using dilemmas as organising themes came directly from the language used by the CEOs themselves.

Corroboration of the dilemmas from contemporary academic and industry-based literature relating to the third sector was offered in Chapter 4 as each dilemma was presented. The researcher concluded that the sector is experienced at a level of practical challenge that matches both the diverse theory and the range of public commentary that the sector has attracted.
However, there is one very striking divergence that emerges from a comparison of the academic literature and the conversations of the CEOs.

While on the surface of it, the conversations jumped around a good deal, the holistic reading suggested that the CEOs were making connections in their own minds between the issues they raised. In other words, their conversations were not simply laundry lists of ideas along the lines of: ‘Here is an idea for you. And here is another one; oh, and by the way here is another one’. The tensions they talked about were linked, either directly (‘on the one hand and on the other hand’) or indirectly by quickly moving from one topic or idea to another that seemed to be connected for them. By contrast, as noted in Chapter 2, the literature available at the outset of this study was very fragmented, both between, and sometimes within, disciplinary perspectives, with an absence of integrative frameworks or theories. This fragmentation is interesting when commentary on lived experience suggests, in crude terms, that ‘everything is connected with everything else’.

This difference between the discourses was so striking to the researcher that it provided a distinct point of departure as she turned back to theory to enrich her understanding of the CEO’s commentaries. In keeping with inductive work, the researcher sought to find theory that would throw further light on what her reading had suggested. Since inductive approaches are frequently driven by inadequacies or limitations in existing theory that preclude specific hypotheses, the approach is to use the data itself to drive the search for useful theory. In the case of this study, the search focused on ways in which the idea of dilemma has been used in the organisation and management literature and in the not-for-profit sector literature. This chapter explores key theoretical constructs suggested by those literatures, and then uses them to enrich the reading offered in Chapter 4.

An obvious starting point was the notion of dilemma, and the related ideas of systemic tensions and paradox, which have been considered in the organisational literature for some time, and used to challenge some aspects of traditional thinking in the broader management literature. In a major contribution over twenty years ago, Cameron and Quinn (1988) offered a theory of paradox
that challenged simplistic thinking that reduces organisational issues to linear and polarised explanations. More recently, theoretical models of paradoxical organisational and larger system dynamics have been developed by Lewis (2000) and Smith and Lewis (2011). On the basis of two comprehensive reviews of the literature undertaken ten years apart, Smith and Lewis suggest that common usage of words like dilemma and paradox often does not clearly distinguish between polarities and more complex, genuinely interdependent dynamics. Dilemmas are commonly understood as difficult choices between unconnected alternatives. In contrast, Smith and Lewis conceptualise the essential defining dynamics of paradoxes as inter-dependent, self-reinforcing and perpetual. This means that any action taken in the organisation or system will, eventually, trigger or reinforce an opposing reaction. Complex organisational and system dynamics result from the persistence of these conflicting yet mutually reinforcing forces.

Smith and Lewis (2011) argue that these dynamics play out over time and place in ways that make it difficult for individuals located within organisations and larger systems to understand the self-perpetuating consequences of their actions. And it becomes clear that they easily default to linear and polarised either-or understandings that simplify choice and action. In offering an alternative way of mapping the territory, Smith and Lewis not only provide a diagnostic aid that highlights the less obvious paradoxical consequences of choice and action, but go on to suggest more helpful ways in which leaders might frame their interventions. This aspect of their work is taken up in the final chapter of this thesis. This chapter, however, focuses on using their theoretical models to better understand the organisational and system dynamics of the third sector described by the CEOs and represented in the previous chapter. Those dynamics were presented in terms of eight dilemmas but can now be explored through the lens of paradox.

In the next section, the idea of paradox is introduced by describing the way it is has been used in the management and organisation literature. The work of Lewis (2000) and Smith and Lewis (2011) is then presented in sufficient detail to clarify the major concepts in their theoretical model. These concepts are then used to reconsider the reading of the CEO conversations presented previously.
The final section explores the way the concept of paradox is being used in the not-for-profit sector, where it has been taken up in the most recent literature relating to governance. It is perhaps not an accident that governance, which increasingly demands the integration of many different strands of organisational thinking and discipline, should offer the integrative perspective that has been missing from theorising about the not-for-profit sector.

**Framings of dilemma and paradox in the academic literature**

In day-to-day conversation, people speak of being ‘on the horns of a dilemma’, ‘of being between a rock and a hard place’, or ‘being between the devil and the deep blue sea’, meaning that they are caught between two uncomfortable options, both of which have obvious disadvantages. In one of the early uses of the idea of dilemma in the management literature, Rittel and Webber (1973) employed the term to describe the ‘wicked’ problems of social policy that challenge conventional scientific thinking. In pluralistic societies notions of the public good or equity defy definition, let alone lead to optimal solutions and interventions. Rittel and Webber positioned dilemma within the larger frame of complexity thinking, in which understanding of problems emerges only through engagement with them; and there are no end points because the issue never goes away, so engagement ceases when people run out of time, money or patience, rather than because they have solved the problem. As they put it:

> With wicked problems … any solution, after being implemented, will generate waves of consequences over an extended—virtually an unbounded—period of time. Moreover, the next day’s consequences of the solution may yield utterly undesirable repercussions which outweigh the intended advantages … In such cases, one would have been better off if the plan had never been carried out (p. 163).

The idea of dilemma and paradox was taken up subsequently, albeit slowly, by a number of others in relation to a range of organisational and systemic phenomena. Lipsky’s (1980) treatment of street-level bureaucracy argued that education, welfare and policing all offer prime illustrations of complex paradoxes that can’t be resolved in public policy and so play out over and over again in the day-to-day decision making of frontline practitioners. Bureaucrats,
teachers, police officers and others have wide discretion in administering public benefits and sanctions, and the impact of their actions is inevitably to improve the lot of some while making things worse for others. Through the decisions and actions of many different people—working in isolation from one another, far away from the strategists and policy makers, and with limited and imperfect data—public strategy comes into being as a line of best fit among opposing forces. When resources are limited and public policy objectives are emergent and contested, Lipsky argued, paradox is inevitable. Lives, livelihoods and communities are significantly affected in ways that create freedom for some and dependencies for others, and that both capacitate and incapacitate in ways that are neither discernible nor calculable at the time. Thirty years later, Lipsky (2010) revisited the consequences of what he calls ‘resonant moments’ in civic life (p. xi). These moments are encounters between citizens and street-level bureaucrats that are intrinsically paradoxical:

work as diverse as that of guidance counselors, judges, police officers, and social workers … could now be seen as embodying an essential paradox that plays out in a variety of ways. On the one hand, the work is often highly scripted to achieve policy objectives that have their origins in the political process. On the other hand, the work requires improvisation and responsiveness to the individual case …

Essentially all the great reform efforts of the last thirty years to improve performance or accountability in street-level public services may be understood as attempts to manage this apparently paradoxical reality: how to treat all citizens alike in their claims on government, and how at the same time to be responsive to the individual case when appropriate (Lipsky 2010, pp. xi–xiii).

In his classic work on policing, Perez (1997, 2011) has argued that policing has always been best understood by fundamental paradoxes, deriving from its multiple roles and the significantly varying expectations of many stakeholders. These paradoxes are embedded in policy and strategy, and also in day-to-day practice, where police officers regularly have to make choices about how to act in often hostile or contested situations, involving many people, and often with
limited and contradictory information. They also know that their actions are often under scrutiny and that they must be prepared to explain and justify them. Perez believes that the paradoxes of policing are both irreconcilable and unique in their complexity. Many others share that view:

[police] are currently confronted by conflicting expectations from their superiors, their political masters and the public; they are expected to act definitively (and often harshly) with crime and disorder problems, yet ... they are expected to be all-round, ‘friendly’ service providers. At the same time, the police are confronted with global neo-liberal political economic policies and arrangements that require them to target their outcomes and to outsource aspects of their traditional policing roles' (Shearing & Marks 2011, p. 211).

[policing] deals with conflict and hence has a perpetual Janus face, helping some by controlling others. Thus one party’s functional policing may be another’s repression. General order, the requirement of any coordinated and complex civilization, is conceptually distinct from but inextricably intertwined with particular order—specific patterns of inequality and dominance. (Reiner 2010, p. 17).

policing is an incredibly complex business. The police function is ill defined. Demands on the police are often in conflict. The police are commonly thought to be omnipotent, but are in fact extremely limited. Public expectations exceed both available resources and authority. As a result, police are frequently pressured into stretching their authority in order to get things done, thereby increasing the potential for abuse. Police are assumed to operate based on highly specific laws and guidelines, but in fact exercise enormous discretion. They must take risks all of the time, but no allowance is made for error ... one could persuasively argue that the police job, as formally defined, is impossible of achievement ... Police succeed as well as they do because they have ... made an endless number of accommodations. They improvise. They take many shortcuts. And they often resort to ‘bluff,’ hoping that
their authority is not challenged and their true capacity is not revealed (Goldstein 2003, pp. 23–4).

In the management literature, in what are now regarded as foundational contributions, Smith and Berg (1987) and Cameron and Quinn (1988) challenged the adequacy of linear models of cause and effect to explain either the way organisations work or the contexts in which they operate. At the same time, Cameron and Quinn argued that, ironically, the language being used to denote the tensions and conflicts of organisation often oversimplified the dynamics involved. They called into question the habit of using labels that encourage polarised and ‘either-or ways’ of understanding things, contending that both linearity and polarisation oversimplify the dynamics of organisational life. Their challenge in turn raised questions about the practical usefulness of approaches to organisational strategising, planning and development that rested on such models and representations. Their exploration of the concept of paradox was offered as a way of understanding the fundamental sources of unresolvable tension that are part of the fundamental dynamics of a complex system.

As Lewis (2000) has pointed out, philosophers and psychologists over the ages have explored the fundamental tensions of human life—the ongoing struggles of creation and destruction, stability and change, life and death, good and evil, self and other—that play out ceaselessly for individuals and collectives. The changing and highly liquid conditions of modern life, which allow the rapid movement of resources, data, people and ideas across national and local boundaries, have focused the attention of other disciplinary perspectives on the idea of complexity in a range of economic, social and occupational domains. The notion of paradox explored by Cameron and Quinn specifically acknowledged the complexity, diversity and ambiguity of contemporary organisational systems and contexts, and the divergent and disruptive dynamics associated with them.

However, Handy (1995) and Bouchikhi (1998) noted that despite the provocations of Cameron and Quinn, conceptual understanding of dilemma and paradox remained superficial, with the terms being used interchangeably to
label any situation involving conflicting expectations, oppositional views and illogical outcomes. This observation prompted Lewis (2000) and later Smith and Lewis (2011) to make a clear distinction between paradoxes and dilemmas.

**The distinctive qualities of paradoxical dynamics**

Citing McGrath (1981), Smith and Lewis (2011) suggest that a dilemma involves clear alternatives, where each competing alternative offers both upsides and downsides, and a choice can be made by weighing up the advantages and disadvantages involved. A dilemma is resolvable in the sense that, while making a choice might involve giving up something, the fact of making the choice creates a clear and viable path of action. In the case of a paradox, making a choice does not resolve the situation, because the initial tensions resurface in another form, at another time, or in another place. This paradoxical dynamic characterises complex systems, where cause and effect cannot be understood in linear or dichotomous terms.

On the basis of extensive reviews of the literature, Lewis (2000) and Smith and Lewis (2011) have taken ten years to develop and refine a theory of paradox that could draw out more fully the value of the perspective. The latest iteration of that model provides a systematic and comprehensive way of considering the material presented in the previous chapter, and so some time will be taken to describe and critique the model before using it for that purpose.

Lewis (2000) initially set out to clarify what is distinctive about the notion of paradox, to review examples in the literature that clearly reflect those distinctive qualities, and to find ways of adequately representing paradoxes. She argued that the distinctive quality of a paradox is not just that it involves tensions between opposing elements, but that these tensions exist essentially because the elements in conflict are deeply interconnected and reinforce one another. The notion of paradox is thus founded in duality, depicted by Smith and Lewis (2011, p. 387) in the Taoist symbol of yin and yang. This symbol conveys the way in which boundaries make distinctions and create identities by including some things and excluding others. What is included is defined by what is excluded. Keeping the boundary in place involves synergistic tension, because any shift in the line of demarcation involves redefinition on both sides of the line.
Like the two faces of a coin, one can only exist because the other also exists. This lies at the heart of the existential proposition that existence can only be understood because there is such a thing as non-existence (Alweiss 2013). Yin and Yang can be implied to be like order and disorder where balance is important between the two and provides harmony. Ma and Usula (2011, p. 101) state, ‘the concept of yin and yang implies complementary opposites within a greater whole. Everything has both yin and yang aspects, which constantly interact, never existing in absolute stasis’.

Smith and Lewis (2011, p. 386) came to define paradox as ‘contradictory yet interrelated elements that exist simultaneously and persist over time’. Lewis (2000) had earlier emphasised that although paradoxes emerge from mutually reinforcing cycles, these cycles are not always obvious, because they take time to play out and because the surface symptoms of difference might mask the underlying connectedness of the dynamic in play. The result can be that people who try to wrestle with paradoxes become caught up in what seem like clear either-or choices, not realising that whatever they choose, they actually reinforce the tension they are trying to resolve. Emphasis on one extreme of a polarity merely entrenches the fundamental dysfunction.

Smith and Lewis, focusing on the tension between exploration and exploitation, offer an example of the difference between a dilemma and a paradox, and of how that has been treated in the literature. This tension was first presented as a clear choice between conflicting business strategies that compete for organisational resources and stakeholder commitment. Models such as that of Tushman and Romanelli (1985) and Burgelman (2002) provide criteria for assessing the relative risks, advantages and efficiencies of each option, and suggest ways in which different strategies can be separated and pursued in different time periods and places and through different business structures. In contrast, later treatments have adopted a paradox lens, using ideas such as ambidexterity to argue that exploration and exploitation need to occur simultaneously (for example, O’Reilly & Tushman 2008). The argument is that strategies that seem to be in competition in the short term are mutually reinforcing in the longer term: one creates the organisational intelligence and capability to do the other.
Hampden-Turner (1981) and Ford and Ford (1994), among many others, note that the dualities of Cartesian logic and philosophy that have driven scientific inquiry in the West have encouraged a kind of thinking in the academy, and perhaps more generally, that makes it difficult for people to discern paradox at all. The result is a focus on obvious polarities: autonomy versus independence, reason versus imagination, logic versus emotion, trust versus mistrust, stability versus change, cohesion versus division, control versus empowerment. The focus on polarity, however, comes at a price:

The term ‘dilemma’ will typically involve choosing between two conflicting alternatives. Fontin (1997) asserts that a dilemma is a decision-making situation which is characterised by two reasonable options, for which equal, but contradictory, substantiations can be found. Smith and Berg (1987) state that a dilemma can create a sense of paralysis, because it implies that a choice must be made between polarities, each having associated costs and benefits (Gilbert & Sutherland 2013).

It was this sort of simplified—and ultimately unhelpful—thinking in the field of organisation studies that prompted Lewis to go searching for what she called exemplary organisation studies of paradox; in other words, studies that acknowledge and explore the mutually reinforcing tensions that are the source of organisational paradoxes. As a result of her intensive study of the literature, she identified three core areas of focus in understanding the paradoxical activities and elements of organisations: paradoxes of learning, paradoxes of organising and paradoxes of belonging (Lewis 2000, p. 765). In their collaboration a decade later, Smith and Lewis (2011) added a fourth area, that of performing, based on further extensive literature review.

The formulation of these paradoxes—and Smith and Lewis’s own theory of paradox—was based on two very substantial reviews of the literature, undertaken ten years apart, and both resulting in publications in the prestigious journals of the American-based Academy of Management. Lewis’s (2000) initial search for exemplar studies was followed by an even more extensive review undertaken in 2011 by Smith and Lewis, covering twenty years of publication (1989–2008, the years following the appearance of Cameron and Quinn’s...
(1988) influential book) in twelve management journals representative of both American and European scholarship. They identified and studied 360 articles focused on organisational paradox and noted that the number of these articles grew at a rate of roughly ten per cent per annum. In addition, they examined special issues published in other high-ranking journals during that period.

The result was not only an authoritative critique of the literature, but a theoretical offering that considerably enhanced what was already available. For those reasons, the researcher selected it to enrich her understanding of the CEOs’ conversations. If further exploration of the reading offered in Chapter 4 suggested that the struggles described by the CEOs were dilemmas rather than paradoxes, then her claims for the complexity of their experience and the third sector itself would have to be qualified. But if their struggles seemed to reflect the deeper dynamics of paradox, then her framing of them as complex would not only be justified, but she would also be able to offer a more complete understanding of how that complexity actually works.

The comprehensiveness and depth of the theoretical framework has stimulated more specific applications that are also of relevance to this thesis. For example, Vera and Crossan (2007) used Lewis’s (2000) first modelling of paradox to explore learning paradoxes in organisations. They noted some of the most well known polarities identified in the literature on organisational learning, such as single-loop and double-loop learning (Argyris & Schon 1978), and tacit and explicit knowledge (Polanyi 1967). Their own review of the literature led them to suggest paradoxes that connect these polarities: the novelty-continuity paradox and the transfer-imitation paradox.

The organisational learning field can particularly benefit from this effort of acceptance and reconciliation of paradoxes since its theoretical development is rich in polar constructs. In making decisions about how and what a firm will learn, leaders face dualities such as single-loop and double-loop learning, internal and external learning, tacit and explicit knowledge, broad and narrow learning, and exploration and exploitation (Argyris & Schon 1978; Bierly & Chakrabarti 1996; March 1991; Polanyi 1967), to name just a few of the existing distinctions (Vera & Crossan 2007, p. 992).
Vera and Crossan explored the way processes of improvisation can be used by agents within organisations as a means of effective engagement with these polarities. In another application, Sundaramurthy and Lewis (2003) used Lewis’s first formulation to understand corporate governance. Their work is used, later in this chapter, to explore the implications of the paradoxical thinking for governance in the third sector. Much more recently, Gilbert and Sutherland (2013) have used the work of Smith and Lewis (2011) to explore the paradox of managing autonomy and control in organisations. Their ideas are taken up again in the next chapter, where the focus is on the ways in which leaders in the third sector might productively engage with its complexities.

Organisational paradoxes

In this section, the framework of Smith and Lewis (2011) is presented in sufficient detail to convey the way it was used to further interpret the CEO understandings of the complexity of the third sector. The four organisational paradoxes included in the Smith and Lewis (2011) framework build not only on the earlier work of Lewis (2000) and Lüscher and Lewis (2008), but also reflect the tensions arising from competing values identified by Quinn (1988).

Paradoxes of learning arise when efforts to create the future, to innovate and change involve destroying or abandoning past wisdom and practice. The exemplar studies included sense making, innovation and transformation and contributors such as Senge (1990), Argyris, (1993), Leonard-Barton (1992), Miller (1993) and Weick and Quinn (1999). Lewis (2000, p. 766) notes that this area of focus causes tension between the old and new—a struggle between the comfort of the past and the uncertainty of the future. David, Maranville and Oblog (1997, p. 276) invoke a time-honoured summary: ‘the more things change, the more they stay the same’. The use of existing frames of reference to engage with new possibilities ultimately limits that engagement; capabilities that have been strengths in the past become liabilities in a changing environment.

Paradoxes of organising involve the tension of encouraging trust, commitment and creativity while maintaining efficiency, discipline and order. The studies explore the obfuscations, double-binds, contradictions, cul-de-sacs, formal and
informal, that arise when organisations have intentions and processes that drive
towards control, direction, efficiency, routine, formalisation and completion on
the one hand, and empowerment, flexibility and collaboration on the other.
Exemplar studies include those of Eisenhardt and Westcott (1988), O’Connor

**Paradoxes of belonging** highlight the tensions that are inherent in a group
becoming cohesive, influential and distinctive by valuing the diversity of the
members and their interconnections with other groups. These tensions arise as
individuals seek to maintain their separate identities, values, roles, and worth,
while creating a group that is distinctive, credible and aligned in its effort. For
groups and organisations, the same tensions can arise: for example, being part
of a supply chain, industry group, market or community while being competitive
and differentiated. Studies include those of Smith and Berg (1987), Martin
(1992), and Pratt and Foreman (2000) and Huy (2002).

**Paradoxes of performing** arise when many different internal or external
stakeholders are involved, with competing interests and approaches. When
goals diverge—as can happen in terms of social responsibility, ecological
sensitivity and financial targets—organisations can be caught in very complex
systemic dynamics that make not only action but explanation of that action very
difficult if the paradoxical tensions are acknowledged. Studies include Margolis
and Walsh (2003), Denis, Langley and Rouleau (2007), and Jarzabkowski and
Sillince (2007).

Based on the exemplar studies, the framework suggests that tensions play out
between these categories, not just within them (Smith & Lewis 2011, p. 384).
So the tensions arising between building future capability and being successful
in the present bring **learning and performing** into conflict. **Learning and
belonging** are in tension around the drive for change and the need to retain a
sense of self and purpose. **Organising and learning** come into conflict as the
search for focus and efficiency battles with the desire for change and agility.
**Organising and performing** clash in the interplay between the requirements of
process and the needs of stakeholders; while **belonging and performing**
become contested when individual goals are challenged by organisational
demands. And belonging and organising are in tension when identity is compromised by process and protocols. This aspect of the framework is perhaps more ambitious, since sustaining all these further distinctions involves some blurring and overlap with the tensions identified through the four basic elements of the model. However, that blurring possibly serves to highlight a fundamental argument made by the authors: that everything is connected with everything else. Indeed, a deeper understanding of the power of the model requires an overview of the connections that Smith and Lewis argue define the tensions as paradoxes, not polarities. This aspect of their thinking is described next.

Unlike the polarities that Smith and Lewis (2011) associate with dilemma and dichotomy, the paradox model is based in the idea that the tensions are self-perpetuating: they bring each other into being and they persist because attempts to resolve one aspect of the tension merely aggravate the other. This fundamental inter-dependency is very characteristic of that branch of systems thinking that has viewed systems as non-linear and dynamic (West 1985), as inherently evolving and open and complex (Banathy 2000) and complex and adaptive (Holland 2006).

In theorising the nature of the inter-dependencies involved, Smith and Lewis (2011, p. 385) acknowledge the ontological distinction between paradox as inherent features of systems and paradox as social constructions arising from the cognition and language of the actors involved. They cite Clegg’s (2002) distinction between views of paradox as material (inherent in the external world) or representational (social constructions arising from lived experience). This distinction is increasingly being emphasised in the complexity literature, through calls to differentiate first and second order complexity: that is, the properties of the system under study as compared with the way we experience, construct and represent that complexity as human beings (Tsoukas 2001). This distinction goes to the heart of the great debates between objectivist and subjectivist understandings of reality: a debate that itself is a classic example of the simplistic polarised thinking that Smith and Lewis criticise. In the theoretical framework they propose, they take what they call an integrative approach that
incorporates both inherent (material) and socially constructed characteristics of organisational tensions:

Researchers have explored paradoxical tensions as either inherent—existing within the system—or socially constructed—created by actors’ cognition or rhetoric. We propose that they are both. That is, opposing yet interrelated dualities are embedded in the process of organising and are brought into juxtaposition via environmental conditions. In this way we focus on forces that render latent tensions salient to organisational actors (Smith & Lewis 2011, p. 388).

Although they did not specifically use the term, their approach seems to be pragmatic, in ontological terms; the more so since they do not spend any further time explaining the ontological implications of their stance. But the pragmatist position essentially rejects traditional dualisms such as rationalism versus empiricism, subjectivism versus objectivism and replaces these distinctions with a process-based focus on transactions between organisms and their environments (Dewey 1903; Peirce 1958).

However, Smith and Lewis (2011, pp. 388–9) do offer an extended explanation of the way that the perpetual self-reinforcing dynamics of paradoxes work. Following Ford and Backoff (1988), they argue that organisation is emergent, developing as leaders respond to such fundamental questions as: What are we going to do? How? Who is going to do it? And over what period of time? In answering these questions, boundaries are created that allow distinctions to be made. Defining what is to be done, leaders simultaneously define what they won’t try to do, thus creating performing tensions, such as global versus local focus, or social versus financial goals. Definitions of how also define how not, creating organising tensions, such as loose coupling versus tight coupling, centralising versus decentralising, and flexible versus controlling. Deciding who is going to do what creates belonging tensions between conflicting identities, roles and values. Choosing different time horizons for action creates learning tensions between now and later, looking to the past and looking to the future. In addition, Smith and Lewis cite exemplar studies that suggest that the tensions of performing, organising, belonging and learning can be in tension with one

One dimension, then, of the deep connectedness of organisational paradoxes is that management practices and leadership actions ‘create their own nemesis’ (Clegg, da Cunha & e Cunha 2002, p. 491). Further, ‘while actors construct organisations, doing so inherently surfaces material paradoxical tensions’ (Smith & Lewis 2011, p. 389). In addition, organisations respond to changes in their context and to the demands of diverse and shifting external stakeholders, who can include communities, governments, shareholders, employees, volunteers, clients, financiers and suppliers. Responses to these demands in turn reflect existing paradoxical tensions and create new ones.

Tensions thus ripple across systems, creating their complex and adaptive nature. Different levels of analysis (reflected in the exemplar studies) reveal tensions at other levels, including individual, dyad, group, project, organisation, and also between levels:

For example, tensions between learning and performance surface at the level of the individual (Dweck 2006), group (Van Der Vegt and Bunderson 2005), top management team (Bunderson and Sutcliffe 2003), and firm (Ghoshal and Bartlett 1994). Furthermore, paradoxical tensions may be nested, cascading across levels, as the experience at one level creates new challenges at another. For example, organisational efforts to explore and exploit create tensions that are experienced by individual leaders and senior teams (Smith & Tushman 2005), middle managers (Huy 2002), and individual employees (Gibson & Birkinshaw 2004). In their comparative case studies, Andriopoulos and Lewis (2009) identified nested innovation tensions of strategic intent (profit-breakthroughs), of each project’s customer orientation (tight-loose coupling), and of designer’s own personal drivers (discipline-passion) (Smith & Lewis 2011, p. 384).

In all these ways, Smith and Lewis are able to position their framework as holistic (p. 386) and powerful in articulating and explaining tensions across a
range of organisational and systemic phenomena. Some of the tensions named in this quotation are easily recognisable in the conversations of the CEOs reported earlier.

These dynamics can play out over extended periods of time and across different spaces and places in ways thus masking their mutually reinforcing nature. So agents located within organisations and within larger systems would find it difficult to understand the self-perpetuating consequences of their actions. This creates the over-simplified polarised thinking and action that Cameron and Quinn highlighted in 1988.

How this masking works is the final feature of Smith and Lewis’s (2011) framework that is of immediate relevance here. They argue that although tensions are persistent, they can remain latent, that is unnoticed, dormant, or ignored, until either environmental, internal, material or representational (cognitive or language) factors accentuate the truly relational and oppositional nature of things previously experienced as dualities. Once this happens, the tensions become salient: that is, organisational actors experience directly the contradictory and inconsistent nature of the tensions. Smith and Lewis argue that issues like scarcity, technological and social change, and the rise of plural and contesting views and power bases most frequently render latent tensions salient. An age in which materials, money, information, weapons, surveillance, people and ideas can rapidly cross geographic, political and ethnic borders makes it increasingly difficult to mask the issues that once could be kept separate. For example, the tensions of exploration and exploitation now play out on a stage in which stakeholders are self-appointed, vigilant, vocal and well placed to harness financial services to mount legal challenges and debates. Sometimes even a single individual who is capable of recognising and articulating paradoxes can trigger shifts in collective recognition of them. This happens when scientists, artists and humanitarians are able, symbolically through words or images, to highlight paradoxes that people have yet to experience directly for themselves.

However, the fact that a paradox becomes salient does not automatically trigger more sophisticated and helpful forms of human engagement with it. The
unmasking of a paradox can trigger extreme uncertainty and anxiety for individuals and groups, whose diverse reactions in turn exacerbate the underlying paradoxical tensions, triggering vicious rather than virtuous cycles of organisational and systemic activity. This aspect of Smith and Lewis’s work (2011) will be taken up in the next chapter, because it provides some interesting ways of thinking about the options available to actors, including leaders, who are grappling with paradoxical tensions.

Revisiting the dilemmas

This section begins with a brief summary of the eight dilemmas presented in the previous chapter, and then considers whether these meet the definition of paradox suggested by Smith and Lewis (2011).

The first dilemma concerns the tension between sustaining the fundamental purpose or mission of an organisation, and running it in businesslike and professional ways that satisfy other key stakeholders, most particularly government and donors. The second contrasts public policy rhetoric of partnership between government and the not-for-profit sector with dependencies such as short-term service agreements with government, the transfer of risk to the sector and high levels of compliance required. The third dilemma concerns the pressures on not-for-profits to both compete and cooperate with one another, bidding against each other for government grants while being encouraged to work together to achieve efficiencies. The fourth dilemma identifies the tension between spending resources on governance and compliance and spending money on providing services aligned with the core mission. Tendering for government funds requires capacity to identify and collect data, analyse it, then communicate information effectively. The fifth dilemma contrasts the freedom to advocate for policy change with the obligations and dependencies that flow from funding that is partially provided by government. The sixth draws attention to the challenge of trying to be innovative in an environment that is risk-averse. The seventh dilemma highlights the tension between developing long-term aspirations and strategic plans and working with short-term and uncertain budgets. The eighth describes
the specific difficulty of attracting and retaining committed and skilled staff on these limited and insecure budgets.

There are several issues to be considered in relation to each dilemma if the Smith and Lewis framework (2011) is to be used to better understand the dynamics of each. One is whether the conflicting dynamics of each of these dilemmas are persistent and mutually reinforcing, or represent clear choices between elements that are not connected. This is really the fundamental issue of whether the dynamics are those of a dilemma or a paradox. Others are whether a paradox of performing, organising, belonging or learning is involved; and whether paradoxical dynamics are operating between performing-organising, organising-learning, learning–belonging, belonging-performing, learning-performing and belonging-organising.

Yet another is the level at which the dynamic is playing out: whether organisational or systemic, or between both. The presentation of the first dilemma certainly suggested that this was seen as a systemic issue for the sector as a whole, not just for individual organisations. And a connection between being more professional and businesslike and being able to pursue mission was expressed in a range of ways. Some felt that credible pursuit of mission demanded a more professional approach if the sector was to continue being funded by government and an increasingly discerning donor community. In Smith and Lewis’s terms (2011), this is a virtuous cycle, in which one constructively reinforces the other, since greater confidence around funding can create the confidence to invest in organisational processes and other capabilities. But the description of others suggests a vicious cycle, involving not just a constant operational distraction and diversion of attention, energy, time and money from service provision, but a dynamic that over time erodes the power of the mission in driving day-to-day activity. So-called mission drift implies that the compelling reason for day-to-day activity shifts to being successful and professional in business terms and that this agenda is what is rewarded and recognised. The core business becomes running stores, as one respondent put it. The struggle is to sustain the values of the mission as drivers for day-to-day decision making across all levels of the organisation, where
efficiency and effectiveness can mean quite different things from the perspectives of mission and business.

Whether understood as ultimately virtuous or vicious, these dynamics are suggestive of paradoxes that have to do with performing, organising, learning and belonging, and with tensions between them. In determining what is to be done, for whom, and the relative importance of the priorities of different stakeholders, at every level of organisation, actors were described as being caught between competing interests and approaches, in ways that are salient (for many) and persistent. This is the paradox of performing, made more complex by the tacit and poorly articulated needs of disadvantaged clients, the behaviour of donors, and the gap between the public policy statements of government and the actions of its agents, who translate policy into practice. Insofar as the intentions of the organisation drive towards control, efficiency, routine application of eligibility criteria, and completion of specified tasks, and at the same time also ask for flexible and empathic responses to individual need and circumstances, paradoxes of organising are in play. Individuals at any level might find their personal values in harmony with the espoused values of their organisation, but in conflict with what they are asked to do in practice, in other words, in a struggle around belonging. A paradox of learning arises between the (often donated or voluntary) capabilities that have been inherited from the past and those required to deal with immediate realities, as well as unclear, emergent futures in the sector and the society. Even focusing attention and effort on the businesslike demands of the present relative to the way things were done in the past could be a major paradoxical tension, if loss of mission focus is the price of engagement.

Arguably, these paradoxes are also in tension with one another, and five out of the six cross-categories identified by Smith and Lewis (2011) can be identified. Learning and belonging contest the values and identities associated with past, present and future practice, and existing identities become both enablers and inhibitors. Performing and belonging require the negotiation of new understandings of the meaning of inspiration and dedication combined with professionalism. Paradoxes of organising and performing test organisational narratives that try to clearly define accountabilities, decision-making powers and
delegations in relation to the multiple relationships and historical loyalties that can characterise stake-holdings in the sector. Paradoxes of learning and organising pose the challenge of building useable systems that fulfil expectations of transparent, efficient, defensible process while enabling people to exercise the discerning hard-won practice wisdom and judgment that that is also essential in dealing with the many human dilemmas confronted on a day-to-day basis. Paradoxes of learning and performing require articulating and publicising the sorts of professional skills that will be recruited in the future, while maintaining inspired focus and effort from those who are currently in place.

On the basis of the CEO commentaries, it is difficult to be certain how these dynamics might play out at particular levels of organisation or might cascade from one level to another. But glimpses are present, especially when CEOs are commenting on the ways in which they personally try to engage with the issues they describe. When a CEO says that the induction program for new staff is used to reinforce the importance of mission, is the burden of maintaining mission shifted in some undefined way to newcomers who must themselves figure out how to reconcile mission objectives with organisational practices that emphasise business efficiencies? Are the ‘designated workers’ who run the induction programs any better equipped than the CEO to engage constructively with these contradictory dynamics?

What is clearer in the CEO commentaries is the way systemic dynamics ripple from the actions and decisions of key stakeholders in the larger context to the behaviour of organisations, and vice versa. An example of this is the suggestion that the sector has become more successful in becoming more professional in practice, but has not been successful in selling that message in the face of ‘ignorant pressure from media, government and business’, and has not used that success as a platform to drive reform itself.

And through the lens of the Smith and Lewis framework it is easier to see that other dilemmas identified in the reading offered in Chapter 4 are either specific or related dimensions of this first, broader paradox. The fourth dilemma concerns the impact of governance and the perceived tension between
spending resources on governance and compliance, and spending money directly on providing services. The commentary of many CEOs was that the cost of compliance is significant, but not recognised by stakeholders in the larger system. The most obvious paradoxical dynamic here is that the resources spent on compliance can affect the bottom line results in ways that are then picked up through compliance reporting, which in turn damages the ability of the organisation to argue for more funding. But one that perhaps is less obvious, but just as significant, concerns CEOs themselves, who in some cases come to see the situation, not just as ‘unduly burdensome’, but as ‘ridiculous’, a ‘charade’, ‘a nightmare’, ‘overwhelming’ and see themselves as wasting their own time on reports that sit unread on the shelves of government agencies. Not all see it that way; some are excited and energised by the challenges involved. But as the previous chapter indicated, for many the result is ‘massive stress’, which they either try to bear themselves or must negotiate with other people in their organisation, from board members to ‘harder’ staff groups such as long-term volunteers, who must understand their compliance obligations along with everyone else. To the extent that this creates doubt about the future viability of the organisation and distracts and diffuses effort around mission, a self-reinforcing dynamic of another kind is possibly created: exhaustion, and a reluctance or inability to embrace change that is well within the capacity of the organisation, but relegated to the too-hard basket. As one put it: ‘The government is risk-averse. The sector is risk-averse. The government doesn’t understand the sector. The government is killing creativity in this sector and trying to encourage it at the same’.

This is an example of a vicious cycle of reinforcement, where the very processes intended to assist it might erode the confidence and capability to undertake organisational change. For others, a more virtuous cycle might be operating. For those who feel professionally stimulated by the challenge, personal and organisational confidence and capability can grow from mastering the governance and compliance requirements, and just as importantly, build mutual trust and confidence between their organisation, government and donors:
We accept the regulation to an extent, to ensure that the sector remains honest, in terms of, any hiccup like that, distorts the public perception. We sort of build up that trust. Like any agency we have to protect our good name.

And sometimes you have to be prepared to do really big strategic things, like turning part of the operation into a company limited by guarantee and putting all those regulated government-funded programs into that company, with its own board, own CEO … That is a real recognition of where an organisation has had to adapt and change.

But we are working aggressively to close that gap by building both the skills and the systems and culturally our way of thinking inside this organisation without becoming overly … without becoming culturally over bureaucratic ourselves, so that the organisation ceases to have appeal for those who want to work in this area.

All three examples illustrate a more positive self-reinforcing dynamic. The point is, that whether virtuous or vicious, self-reinforcing dynamics that work systemically and organisationally are suggested by the commentary of the CEOs. The perspective of paradox also allows some speculation about dynamics that were hinted at, but not elaborated by the CEOs, such as the systemic impact on donors, politicians and bureaucrats of media representations of the sector, and of particular organisations and events:

There is lots of evidence that bureaucracy has become more politicised over the years and also that the politicians want to get more value with things that they can announce, do more quickly. There is a real tension between playing out politics in the media in the short term and getting back to systemic structural sorts of changes that make sense.

The second and fifth dilemmas are another pair operating at systemic and organisational levels that can be seen as closely connected to one another, as well related to the dynamics just described. The second frames the rhetoric of partnership between government and the not-for-profit sector with the practical dependencies created by short-term service agreements, the transfer of risk to
the sector and high cost compliance. The fifth suggests that the freedom to advocate for change in public policy and practice is compromised by obligations and dependencies that flow from government funding.

The dependencies that CEOs described as being at odds with the notion of partnership included the government’s insistence on short-term service agreements, the ways in which risk is effectively transferred to organisations within the sector, the high levels of compliance required, and the sense that many had of being micromanaged by the public bureaucracy. Some drew attention to the irony of being in a partnership that, from the government’s point of view, requires a relationship manager. This dependency was clearly reflected in the language used by CEOs:

How are we not just a service arm of the government when we get 70 per cent of funding from them? How can we say we are partners?

The department basically says: ‘We pay you so just drive it and we’ll tell you when to stop’. It’s not like, ‘We will value your opinion. Yes, we will respect what you want’. It’s like, ‘Well, you’ve got to take the kid’. It’s a master and servant relationship.

Some reflected on this dependency in ways that can be construed as a paradox of belonging at the level of organisation, where identity is challenged more and more as the organisation becomes more successful at winning government funding: ‘We’re a creature of delivering government funding. We don’t even see ourselves as a charity any more’. ‘Now we are caught’. This spills over into a perceived restriction on the freedom of organisations to have a voice, and to express authentically and directly their value-based concerns:

All governments are sensitive to negative publicity, so we have to choose our issues if we want a long relationship. It’s best to work with government rather than against them. We have to remember what is the best for our clients. Getting the government offside is not best for our clients.
Paradoxical thinking about governance

The previous sections of this chapter suggested—and demonstrated—how the CEO commentaries could be usefully explored using the notion of organisational and systemic paradox. The focus of that exploration was to understand how paradoxical dynamics can describe and explain at least some of the dynamics surrounding and characterising charitable organisations in the third sector. That further reading of the CEO commentaries concluded that the self-perpetuating aspects of paradox are reflected in the way CEOs spontaneously described the sector as a whole and their own organisational issues and experiences. It was also concluded that Smith and Lewis’s (2011) paradox framework provided a richer and more comprehensive understanding than the more simplistic idea of dilemma used by the researcher in her first reading of the CEO commentaries presented in Chapter 4.

The next obvious question to ask is whether or not others are using paradoxical thinking to understand the dynamics of the third sector. Further examination of the literature suggests that it is being used, increasingly, to describe and explain governance in the sector. As noted previously, theorising and research associated with the governance perspective has been criticised (Puyvelde et al. 2012; Renz & Andersson 2014) for its reliance on a limited range of theoretical perspectives: on agency theory, stewardship theory and institutional theory in particular. Cornforth and Brown (2014) have argued that these perspectives are challenged to adequately describe and explain the complexity of the sector, particularly its systemic dynamics and the, as yet largely uncharted, connections between the behaviour of the system, and the organisations and individual actors within it. They are also concerned about what they identify as the positivist orientation of much governance research, its reliance on cross-sectoral research designs and its use of interviews and surveys that are removed from the action of organisations and their boards. They call for longitudinal, observational and action-research-based case studies that can capture processes in action and the ways in which they are changing. The emerging, and therefore still developing, perspective of paradox goes some way to addressing these limitations of theory and research. The use of that emerging perspective is described in the last section of this chapter, which has
been concerned with the big picture mapping of the territory contained in the title of this thesis.

However, any new thinking about governance in the not-for-profit sector first needs to be put in the context of development in governance approaches in the public sector more generally. Osborne (2006) has observed that the high expectations that the New Public Management paradigm would sweep away the century-old command system of Anglo-American public administration have been tempered by a more modest reality. He suggested instead that a more gradual paradigm shift has been in progress for the past thirty years, resulting in the emergence through the last decade of the New Public Governance, characterised by what he calls an embryonic plural and pluralist perspective (p. 377). This perspective taps into more contemporary theories of management that combine output models with relational models of governance:

It posits both a plural state, where multiple inter-dependent actors contribute to the delivery of public services and a pluralist state, where multiple processes inform the policy making system. As a consequence of these two forms of plurality, its focus is very much upon inter-organizational relationships and the governance of processes, and it stresses service effectiveness and outcomes. Further, it lays emphasis on the design and evaluation of enduring inter-organizational relationships, where trust, relational capital and relational contracts act as the core governance mechanisms (Bovaird 2006; Teicheret et al. 2006) (Osborne 2006, p. 384).

Osborne makes quite explicit reference to the possibilities of this perspective for the not-for-profit sector:

In a parochial UK context, for example, it can provide a framework to evaluate and critique the neo-corporatist assumptions of the Voluntary Sector Compact, as well as the emphasis upon ‘preferred supplier’ models and voluntary sector modernization within the recent cross-cutting review of the role of the voluntary sector in providing public services (2006, p. 384).
This framing of public sector governance is a helpful point of reference when considering the systemic and inter-organisational perspectives on not-for-profit governance offered by Cornforth (2004), Bradshaw and Toubiana (2013, and Stone, Crosby and Bryson (2013). Cornforth (2004, p. 1) has defined governance as making collective decisions about important issues, including the intent and goals of collective action, strategies for achieving them, and processes for monitoring their success and holding key actors to account. Cornforth and Brown (2014) argue that older understandings of governance are challenged by changes in the broader contexts in which individual not-for-profit organisations operate, including the dynamics of the sector itself. These changes include more fragmented, contractual and arm’s-length relationships with government, and the development of partnerships and networked services among a range of providers. These developments, they suggest, call for more systemic perspectives to understand how the sector works in terms of policy development and service delivery, and how its governance needs to work.

Bradshaw and Toubiana’s (2014) exploration of the dynamics of nested governance offers insights into the rarely studied complexities of not-for-profit membership organisations that describe themselves as associations, affiliations, societies or federations. They also argue that traditional models of governance that rely on hierarchical, command and control systems and maintain a unitary organisational focus are ill-equipped to deal with the uncertainties and complexities of loosely coupled organisations with dispersed powers. Stone, Crosby and Bryson (2013) consider the governance of inter-organisational networks or collaborations that have been formed to engage with public issues and implement public policy. They particularly emphasise the significance of the external environment in terms of its stability, ease of access to resources, and political character. Whatever the aspirations and practical realities that drive the formation of relationships and collaborations across not-for-profit systems, these writers agree that emerging research stresses the tensions that seem to characterise relationships within those systems, and what Stone, Crosby and Bryson (2013 p. 249) call ‘the chaotic character of collaborations, often driven by complex internal dynamics and external uncertainties’.
However, Cornforth (2003, 2004) has gone further and quite explicitly suggests that a paradox perspective is essential in understanding and enacting governance within the sector, proposing a meta-theoretical approach drawing from numerous perspectives, including democratic governance, agency, stewardship, stakeholder, resource dependence, and managerial hegemony theories. He argued that, employed as a framework that embraces complexity through multiple perspectives and takes a ‘paradox perspective’, multiple perspectives will be ‘more useful in helping the field engage the ambiguities, tensions, and paradoxes that exist in the sector’ (Renz & Andersson 2014, p. 23).

Mullins’s (2014) study of the evolution of housing industry associations in England uses Cornforth’s paradox perspective to understand governance tensions in the housing sector. His starting point was the two paradoxes that Cornforth identified as being most commonly present in third-sector governance: representative boards versus expert boards; and controlling versus partnering relationships between executives and non-executives. However, Mullins’s own research over ten years has identified two more, which surfaced as English housing industry associations restructured into a smaller number of larger organisations. One of these involves the paradox of maintaining the independence of subsidiary organisations while consolidating them into more powerful larger organisational arrangements. The other involves what he has called ‘the competing logics’ of business efficiency and local accountability (p. 217). Mullins argues that ‘the dominance of business efficiency over local accountability has been the most significant macro-evolutionary tension leading housing associations to transform their governance models … This has led to similar conflicts being repeated in the micro-revolutionary life-cycles of many organisations in the sector’ (pp. 225–6).

Mullins (2014) offers a detailed examination of how the need to consolidate and control larger groups of assets in order to leverage service efficiencies and effectiveness created ongoing and unresolved political struggles to honour local territories, histories, identities and ownership. He also tracks the conflicting
interpretation of roles between executive teams and boards, at times spilling over into deep mutual suspicion of the motives and values of actors in each group. These suspicions and conflicts often reflect differences in organisational cultures and commitments, and different understandings of what it means to be professional and accountable. But they can also reflect personal reactions to losing status and power and having to cope with significant change. Mullins offers an excellent example of the ways in which paradoxical tensions cascade from systemic, to organisational to personal levels of functioning.

Michaud (2014, p. 75) is another who explicitly adopts the perspective of paradox in considering governance in the sector, noting that ‘despite abundant prescriptions regarding what boards should do, we know little about what they actually do, especially in the face of the paradoxical goals of both ensuring control (as expressed in agency theory) and fostering collaboration (as expressed in stewardship theory) simultaneously’. Michaud’s study of a co-operative over a 10-year period demonstrated the role of numbers-based micro-practices in mediating paradoxes of governance. ‘These practices enable board members to both “act at a distance” and control, while they are also “kept at a distance” from the general manager, who ensures the board’s collaboration (Michaud 2014, p. 75).

All of the examples offered so far use paradox as a way of understanding the dynamics of not-for-profit sector governance, focusing on what they describe as enduring tensions playing out over a period of time without final resolution. While none of them explicitly map the self-reinforcing nature of these paradoxes, the long-term empirical studies, in particular, bring to life the enduring struggle and the perceptions and behaviours that do, in fact, ensure that the struggle is given fresh life at critical points in organisational life and decision-making. Mullins (2014) specifically describes how contested meanings often emerge at such critical moments in the life cycles of not-for-profit organisations.

However, the mutually reinforcing dimensions of paradox are central to its theoretical framing by the Lewis and Smith theoretical framework, and this has been used to understand the systemic and organisational dynamics of
governance in work that Lewis undertook with Sundaramurthy on corporate governance (Sundaramurthy & Lewis 2003). While they did not consider governance in the not-for-profit sector, their analysis includes many of the themes already described in this section. Their starting point was the debate emerging in the management literature between control and collaborative approaches to governance. Using agency and stewardship theories, and based on an extensive review of the available research literature on organisational behaviour and performance, they suggested how the tension between monitoring and empowerment create reinforcing cycles of what they call strategic persistence and organisational decline.

Sundaramurthy and Lewis (2003) noted the intrinsic tensions of governance: where the board is legally the highest level of authority in a company, but in operational terms relies on executive management to actually exercise that power; where the board is expected to both have sufficient knowledge of the company and retain detached judgment; and where individual board members must balance the collective strength of the board with the courage to critically question colleagues and resist group think.

Using Lewis’s (2000) first framework, the one that was available to them at the time, they considered how the controlling dimensions of agency theory, based in economics and finance, focus on the need to limit the potentially self-serving behaviour of managers entrusted with the capital of others. They compared this with the collaborative and consultative approaches associated with stewardship theory, suggesting that the perspective of agency theory is in tension with the service focus of stewardship theory. Seen through the lens of paradox, if one or the other of these contrasting assumptions is driving a board’s governance approach at any point in time, it is likely to create self-fulfilling and self-reinforcing cycles that in the longer term have dysfunctional consequences. The initial paradox that is created is one of organising, which translates gradually into other forms of paradox.

Collaborative approaches that value consensus, cohesion and loyalty in governance teams can eventually create dynamics of collective thinking that starve the board of the contrary data and critical mindsets needed for
constructive challenge and reflection. In periods of high performance and success this is not experienced as a problem, but if circumstances change the board has lost its capacity to collect diverse data, recognise ambiguity and engage in robust debate. As a result, it might persist with strategies that are no longer appropriate, and eventually trigger a period of low performance and even organisational decline if the organisation has failed to review and renew its key capabilities: a paradox of learning. In cycles of low-performance, collective dynamics of loyalty, tight allegiances, face-saving and wishful thinking that maintain the cohesion of the group also put it more and more out of touch with its own organisation as well as the external context. Competent middle managers might be blamed for poor execution of the board’s strategy, or failure attributed to factors beyond their control, or simply bad luck, while the board and senior management escalate their commitment to their initial, but failing, strategy. Commitment to the strategy might be so strong that withdrawal is seen as a loss of identity and status: a paradox of belonging. Ironically, even as strategy fails, boards might commit more resources to it, and invest considerably more time in defending it: a paradox of performing (Sundaramurthy & Lewis 2003, pp. 399–402).

Sundaramurthy and Lewis (2003, pp. 403–5) also explore reinforcing cycles of control under conditions of high and low performance. Controls that promote independence, logical decision making, evidence-based decision making, extrinsic rewards and regular monitoring can inspire a confidence in the processes of the organisation that attracts capital and high skill sets. In times of high performance, the board might come to underestimate its reliance on human relational factors of good will, trust, drive, aspiration and commitment among external stakeholders and staff. Yet these are the things that the company must rely on both to take advantage of the opportunities that success creates, and to recognise and deal with the associated risks. Over time, an impersonal controlling approach can be read by staff as mistrust and, in turn, breed distrust on their part, a withdrawal of commitment and energy, and resentment of the board and senior executive team. The research reviewed by Sundaramurthy and Lewis suggested that when creativity, altruism and
citizenship behaviour are not recognised or encouraged, they are eventually withdrawn or replaced with self-serving behaviour or even outright resistance.

Based on comprehensive research, Frey’s (1997) earlier idea of the ‘crowding out effect’ captures the reactions just described. As stakeholders withdraw effort, information, ideas and commitment, controls might be further increased in an attempt to maintain performance. Paradoxes of learning, belonging and performing emerge as directors and executives polarise in their thinking, limit communication, increase surveillance, restrict debate and engage in indirect and mutually alienating behaviours. Risks are avoided as decision-making becomes more centralised and restricted to a smaller and smaller group of people who take responsibility for both strategy and key aspects of tactical operational management. Thus decision-making becomes less and less flexible and driven more and more by rigid protocols, resulting in the persistence of strategies that are no longer useful.

Sundaramurthy and Lewis argue that in low-performance cycles, as company performance declines and the impersonal use of controls continues, collective confidence and morale suffer, triggering self-protective behaviours and making it less and less likely that individuals will be able to demonstrate initiative, engage with risks, think creatively and courageously challenge the thinking of others. This might apply as much to external stakeholders as to staff within the organisation, especially if the board and executive engage in what has been called ‘impression management’ (exercises in public relations that shore up the image of the firm) while limiting frank disclosures and discussions with institutional investors for fear of being seen as incompetent. A previously successful company can in this way sow the seeds of its own decline or it might simply paralyse itself, so that when external conditions change, it is unable to attract and mobilise the energies, skills, commitment and information required to build new strategies.

**The implications for this study**

This chapter has used the lens of paradox to reconsider the dilemmas presented earlier. The dilemmas were initially offered to represent the struggles that were discerned by the researcher in the commentaries of the 41 CEOs who
participated in this study. The theory and research presented in this chapter establish at least some of the provenance of the concept of paradox. The theoretical framework for understanding organisational paradoxes developed by Lewis (2000) and subsequently by Smith and Lewis (2011) on the basis of extensive reviews of literature and research, was considered sufficiently robust to be used to analyse the organisational and systemic dynamics of the CEOs’ dilemmas. It was concluded that the paradox framework offers a more insightful understanding of the commentaries of the CEOs. It is also suggested that this is a framework that would be of very great value if used to frame inquiry into the not-for-profit sector in the future, and not limited to the study of registered charities that were the focus of this thesis.

The use of the framework then triggered a return to the not-for-profit literature, to find out how the idea of paradox had already been taken up in that sector. It was found that a few writers and researchers had indeed used the term to describe the ongoing significant tensions that have increasingly characterised governance in the sector. While not specifically naming the mutually-reinforcing quality of paradoxes that is one of the central concepts in Smith and Lewis’s framing (2011), a number of writers about governance in the sector capture the enduring character of the paradoxical tensions they describe. And Sundaramurthy and Lewis (2003) have used the earlier version of the framework to explicitly explore governance tensions. As observed at the start of the chapter, modern governance in any sector requires approaches that integrate understanding of many dimensions of organisation thinking and practice. Complexity in the external environment, however conceived, demands matching sophistication in organisational practice and theory. Chapter 2 demonstrated the fragmentation of theorising of the not-for-profit sector that has persisted for a long time, a conclusion echoed in Cornforth and Brown’s (2014) strong criticism of fragmented approaches to thinking about its governance. It is not a coincidence that their calls for more sophisticated thinking and practice in relation to not-for-profit governance are centred on ideas and approaches that integrate systemic, organisational and individual perspectives and behaviours.

Although the focus of this chapter has been at organisational and systemic levels, the frameworks and concepts employed here at many points either
suggest or directly connect organisational and systemic dynamics with the behaviour of individual actors. In the governance literature described in this chapter, all the writers associated paradox with the personal reactions of human beings wrestling with the changes and challenges that confronted them. Mullins’s (2014) description of the intertwined macro- and micro-dynamics of paradoxes, accompanied by vivid glimpses into the thinking of key players, led him to exercise even more than the usual standards of ethical care in protecting the identities of the people he quoted. Indeed, the theoretical frameworks of Lewis and Smith (2011) and Lewis (2000) include an explanation of the dynamics of paradoxes that goes beyond collective behaviours to the behaviour of individuals. It is this focus on the individual that is taken up in the next and final chapter of this thesis.
The previous chapter concluded that attempts to engage with the challenges of the not-for-profit sector in terms of policy and management are seriously hampered by disconnections—both theoretically and practically—at systemic (macro), organisational (meso) and individual (micro) levels. However, that chapter also suggested that the complex interdependencies of the sector can be usefully described and explained through the notion of paradoxical tensions that operate across and between its systemic, organisational and individual levels.

Seen in those terms, the essence of organisational sustainability is best captured in the paradoxical proposition that individuals, teams and organisations must achieve success in the short term, while ensuring that this success drives the kind of growth and change, organisationally and systemically, that enables success in the long term (Cameron & Lavine 2006). Smith and Lewis (2011) have suggested that the central challenge in complex systems is to recognise and release the long-term virtuous power of paradox and not simply avoid the unproductive use of human energy and organisational and systemic resources that get tied up in vicious cycles. Although these are abstract ideas, this thesis argues that they are robust enough to help describe and explain some of the key dynamics of the not-for-profit sector. It also argues that these ideas are helpful in suggesting ways in which its management and leadership might be further developed. That is what this final chapter sets out to achieve.

Smith and Lewis (2011) argue that dynamic strategies for engaging with paradox foster sustainability through enabling learning, reflection and creativity, fostering flexibility and resilience and unleashing human potential. Hence, productive engagement with the paradoxes of learning, organising, belonging
and performing must necessarily challenge the behaviour of individuals, together with the rigidities, narrow focus, intractabilities and avoidances, which they can enact when confronted with the challenges of the sector.

So in this last chapter, the focus shifts from systemic and organisational exploration of paradoxical tensions to consider what manner of individual leadership might be helpful in holding and engaging with them. This is the paradoxical work that CEOs of charities must undertake every day, holding the individual, organisational and systemic tensions associated with these paradoxes, as they try to make sense of things for themselves and guide the decisions and actions of others.

The chapter begins with an exploration of the ways in which leadership in the not-for-profit sector has been considered and understood in the literature. Two searches were undertaken. One focused on journals dedicated to the not-for-profit sector, which included the *Journal of Nonprofit Leadership & Management*, *Nonprofit & Voluntary Sector Quarterly*, *Third Sector*, *Voluntas*, and *The Philanthropist*. The other was a more general key word search of references relating to not-for-profit leadership occurring in other publications, such as *Leadership & Governance*, *Journal of Leadership*, *Leadership* and *The Leadership Quarterly*. Both of these searches focused on the last fifteen years. In addition, a number of contemporary textbooks on management in the not-for-profit sector were examined to discover how the topic of leadership is being covered in that context.

Several general observations can be offered about the literature on leadership in the not-for-profit sector, before turning to the detail. Recent commentary has noted that the growing complexity of the sector has forced recognition of the need for more developed thinking about leadership. But it also suggests that relevant research and writing on the subject remains limited in quantity and depth. At the time of writing, it still remains diminutive in comparison with the enormous leadership literature accumulated in the field of management, and in the fields of health and education. Even in the *Journal of Nonprofit Leadership & Management*, about three-quarters of the articles written in the last fifteen years are about the developing challenges of the sector, and issues already
discussed at length throughout this thesis, such as governance and accountability, the implications of government funding, levels of civic engagement, corporate volunteering, relationships with the for-profit sector and new forms of commercialisation. Arguably the focus has been on stating the challenges and tensions facing organisations rather than the distinctive contributions that leaders can make in dealing with them. Given the contribution of the sector and the very significant resources it attracts and manages, the need for greater concentrated research effort in exploring its leadership requirements is great.

Another general observation is that there has been a greater interest in the existing literature in the collective work of governance than in the leadership work of individuals. Chapter 5 concluded with an extensive examination of the ways in which governance of organisations within the not-for-profit sector epitomise both the dynamic tensions of paradox, and the disconnections noted earlier. Cornforth and Brown (2014) have argued that research attention has been so focused on the top levels of board management that the ways in which governance is enacted at other levels of organisation, and by other actors, have been relatively neglected, along with the contextual systemic dynamics through which governance issues and relationship play out and change over time.

Perhaps not surprisingly, then, the words ‘management’ and ‘leadership’ are still often used interchangeably in the not-for-profit literature. While definitions of leadership abound in the corporate literature, most contemporary framing of it there emphasises the mobilising and focusing of human energy. In contrast, management is seen as the deliberate acquisition and deployment of organisational and community resources, such as capital and other assets. For example, Northouse (2013, p. 2), in reviewing the distinctiveness of leadership as an idea, suggests that it can be summarised as ‘a process whereby an individual influences a group of individuals to achieve a common goal’. When leadership is seen in these terms, it has been observed that the third sector seems at least a decade behind the private sector in understanding how to lead better (Ainsworth 2013, p. 11).
The writer suggests that Ainsworth’s assessment can be explained, at least in part, by understanding the path that the third sector has taken historically in its understanding of leadership. Early perspectives on not-for-profit leadership saw it as the domain of those committed to good causes, filled with passion and energy, or gifted with charisma. Since then, the growing diversity and significance of the sector, in a more globalised and interdependent world, have inevitably meant that its leaders need to be more than inspired and able to inspire others. However, it has substantially borrowed its notions of leadership—and management more generally—from the world of the corporate sector of the late twentieth century and the business schools of the United States of America. This was evident in Stone and Crittenden’s (1993) early guide to journal articles on strategic management and leadership in not-for-profit organisations published between 1977 and 1992. More recently, as the corporate strategic management literature has gradually reflected the relative failure of economics to explain contemporary global conditions, putting more faith in marketing as the pathway to economic and social wellbeing, so too the not-for-profit sector has been encouraged to market its way out of its difficulties (Helmig, Jegers & Lapsley 2004).

There have been concerns expressed about the appropriateness of adopting standardised and rigid approaches to leadership and management that have been identified as best practice in other settings. Manela and Moxley (2002) were among those who argued that while this is motivated by the desire for legitimacy and financial support, these practices might or might not meet the needs of not-for-profit organisations or their clients, especially if they are applied in inflexible ways. Now, slowly, glimpses are starting to emerge in the not-for-profit sector of constructions of leadership that do justice to its distinctive complexity (Cornforth & Brown 2014). These are explored in the second half of the chapter, which concludes with some suggestions about how these might be translated into the development of not-for-profit leaders and organisations.

**Commentaries in the literature on leadership in the not-for-profit sector**

Long-standing treatments of leadership in the sector have argued that it is distinctive because of the paramount importance of mission and values as key
drivers. As Kesler (2011) has observed, this has traditionally meant that leaders in the sector must be personally committed to mission and value sets, must be able to clearly and persuasively articulate them, and must be able to align the energies and commitment of a wide range of stakeholders. While this might seem easy with like-minded people, mission and values can be interpreted and enacted very differently by different people, and the key leadership capacity was seen to lie in being able to consolidate and sustain the commitment of varying constituencies.

This capacity has been explored in several ways. Conceptions of servant leadership (Greenleaf 1977, 1982) have been attractive, emphasising an overriding commitment to mission through serving others, the skills of empathy and attentiveness, and the nurturing and empowerment of followers to reach their full potential (Northouse 2013). Barbuto and Wheeler’s (2006) analysis of the literature on servant leadership in the sector highlighted the following: altruism; the importance of vocation, or calling, to leadership; spiritual commitment; community building and self-sacrifice. Leadership in the sector, from this viewpoint, is more than just a job or a role, but rather a central part of the leader’s existence (Sendjaya 2005).

The concept of the servant leader continues to attract interest in the literature, particularly in relation to the leadership of volunteers, which has been characterised as ‘people-oriented, emotional, and inspirational’ (Rowold & Rohmann 2009, p. 282). In a study of not-for-profit sporting organisations, Bang (2011) has found that leader–member relations embodying affect, loyalty, the valuing of contribution, and professional respect have a significant impact on the job satisfaction and retention of volunteers. Parris and Peachey (2012, 2013) have made two recent significant contributions to the understanding and application of servant leadership, both in organisations generally and in the not-for-profit sector specifically. Their systematic review of empirical studies of servant leadership (2012) found that while there is no consensus on what servant leadership is, it is an idea that is being used in a wide range of organisational contexts and cultures. They concluded that it is a viable and helpful way of improving the wellbeing of followers, although its application in corporate settings has been hindered by Greenleaf’s (1977) original
conceptualisation of it as a way of life. Their own empirical study of servant leadership of volunteers in a not-for-profit setting found that its key elements were generating a shared vision dedicated to helping others, building a caring and loving community, and creating the freedom and resources for followers to become servants themselves.

The role of faith-based leadership also continues to be a topic of discussion and review in the literature. For example, Chambré (2001) explored the changing meaning of faith in four AIDS organisations in New York City, noting that, over time, the original faith-based commitment has become more secularised, ecumenical and personalised, as both organisational leadership and funding sources have changed. More recently, Yip et al.’s (2010) case study of a faith-based not-for-profit organisation operating in a multi-faith constituency highlights the unique challenges of leading from the basis of a specific faith. This study specifically suggests that there are at least three identity issues arising in faith-based leadership that can be understood as dilemmas: creating a shared sense of organisational identity when some do not share the same faith commitment; the tension caused by choosing between talent and faith-based commitment when selecting staff; and the tension between board governance practices based on faith and managerialism. In their exploration of the challenges faced by the CEO in this case, the authors suggest that a strong faith-based identification can positively bind an organisation together, but can also produce organisational blind spots and unintended consequences.

Another concept that has been explored is that of charismatic leadership. Many organisations have largely relied on voluntary labour. At the same time, numerous studies show that not-for-profit leaders and professional staff still earn less than in other sectors (Suarez 2010), although the gap has narrowed in the larger not-for-profit organisations. While leaders can motivate themselves and others through opportunities to make a recognisable difference to society, they are often limited in the repertoire of incentives and disincentives they can use to engage with their teams. Often, too, they will have other internal stakeholders, with other agendas. A charismatic leader in the not-for-profit sector is thought to be a person with the capacity to inspire trust, win cooperation, resolve conflict and push effectively for change (Northouse 2013).
Charisma has also been associated with personal magnetism, possessed by people who present as special and extraordinary. This framing of the charismatic leader has been associated in the not-for-profit sector with the founding leader, a person with the drive and determination to set up a not-for-profit organisation who can remain powerful for many years beyond the initial set-up phase (Tschirhart & Bielefeld 2012, p. 88).

These distinctive characterisations of leadership in the not-for-profit literature are still present. Leaders are still seen as ‘the symbols for their organisations’ (Tschirhart & Bielefeld 2012, p. 253), leading with a vision in mind for a better world, with passion for a cause rather than passion to lead. They are mandated to change or improve a certain social condition by harnessing human and organisational capital in such a way that the result is a betterment of society. They are meant to have integrity and high principles, able to both inspire and withstand scrutiny from funders: ‘Leaders need a complete congruence between their own values and behaviour to that of the organisation as they represent and embody the mission’ (Hudson 2005, p. 153).

Leadership in not-for-profit organisations is different from analogous positions in business or the public sector. This difference is shaped in large part by a couple of distinct characteristics of organisations in the not-for-profit sector: shared responsibility for, and control of, resources with volunteers and heavy reliance on the efficacy of mission to engage a diverse set of stakeholders for whom there is no direct or tangible benefit (Rowe & Dato-on 2013, p. 2):

If you have decided to become a leader of a charity, you broadly believe that in spite of the challenges, you can make a difference to the social realm and that organisations can make change and move in a certain direction (Grant 2012, p. 146).

Empowering people, pursuing equality, making voices heard, transforming lives, being responsible, finding fulfilment, doing a good job, generating public wealth. These values inspire people to work and volunteer in the third sector. Separately these values are present in the public and private sectors. However, the way in which third sector
organisations combine and prioritise these values is unique (Blake, Robinson & Smerdon 2006, p. 7).

Over time, however, other themes have emerged as the literature has come to acknowledge the growing complexity of the sector and the resulting challenges that organisations face. In that sense, as noted earlier, much of the leadership literature covers the ground already explored in this thesis, as it comes to grips with issues such as the systemic inter-dependencies and dynamics associated with government funding, with more rigorous accountabilities to multiple stakeholders; the competition between not-for-profits for donor and government money and for voluntary effort; the tension between mission and marketisation; and the blurring of the boundaries between for-profit and not-for-profit organisations (Beck, Lengnick-Hall & Lengnick-Hall 2008; Herman & Renz 1999; Stone, Bigelow & Crittenden 1999; Tucker & Parker 2013).

Not-for-profit management must meet the challenge of declining revenues, changing social needs and priorities, and new direction in public policy, as well as pressures for increased accountability and productivity. To be effective, not-for-profit administrators, board members, employees, and volunteers need to understand the context in which not-for-profits operate. They need to increase their accountability to their various stakeholders, understand intergovernmental relations, and become more active in developing and implementing public policies, develop advocacy and financial management skills, recognise the human resources management challenges, as well as opportunities, facing them, and strive for improved organisational performance (Pynes 2011, p. 210).

As a result, and borrowing from the language and practices of corporations, leaders are regularly advised to be strategic: to exercise discernment and judgment in the face of changing environments, to establish viable and inspiring long-term goals, and manage the trade-off between running services effectively in the present while building organisational capacity to sustain viability into the future (Bryson 2011; Davis, Kee & Newcomer 2010). Within this strategic framing, financial management and performance measurement are topics that receive a good deal of attention. 'Mission without metrics' is not sustainable, and not-for-profits must do the hard work of devising measures that reflect how
the expenditure of money and time are aligned with desired outcomes. Truly strategic management of resources requires tough decision-making as to which services and programs will be supported and which will not, as compared with non-strategic efforts to spread resources thinly across too many things. Performance measurement systems are essential in making those evaluations, which will be made by funders if organisations don’t make them themselves (Pynes 2011, p. 122).

Drucker (1990, p. 107) long ago predicted that the difficulty of building useful agreed indicators of outcome would continue to be one of the major challenges to robust strategic financial and resource management across the sector. As he pointed out, success is not just about meeting present needs, but about ameliorating future needs, creating hope and changing individual and community practices. Kaplan’s (2001) balanced score card, originally developed for the corporate sector, has been suggested by Hudson (2005, p. 62) as a way to capture the array of indicators needed in the sector. However, use of these tools requires discernment and sophistication on the part of leaders (Firstenberg 2009, p. 188).

Increasingly, the need for this kind of discernment extends to assessment of external opportunities, as not-for-profit leaders take on the responsibility to understand the positive and negative implications of their resource acquisition options (Tschirhart & Bielefeld 2012, p. 138). The need for diversification of funds has led to new hybrid agencies and new models of practice in the hope it improves the long-term financial position. New social enterprise ventures and entrepreneurial activities are considered to require a new kind of leader, one who is able to be cautious and astute with funds but also has an entrepreneurial spirit.

In going about this, leaders are told they must be inventive and proactive (Anheier 2009; Cahn & Grey 2013) and able to secure social investment from philanthropists and foundations by presenting rational, businesslike arguments that are discerning about what these partners can bring to the table to complement the grassroots knowledge of the not-for-profit sector (Grant 2012). The entrepreneurial impulse must be alive and vibrant and they must be able ‘to
undertake “innovation on the run” and their already-established linkages to bring together elements of the services system to foster innovation’ (Brown et al. 2009, p. 213). Swanson (2013) is among those who offer systematic tools that leaders might use to analyse their opportunities for strategic engagement. Swanson offers an analysis of research data to develop a new framework to guide both economic and social value creation by leveraging the social capital held by not-for-profit organisations themselves.

This implies other critical leadership skills needed in engaging the board, staff, volunteers and service recipients, who come with a range of perspectives on what the priorities of the organisation should be at any point in time. While volunteers remain essential to the viability of many not-for-profits, the increasing engagement of professional paid staff involves a shift to human resource practices attuned to a more mobile workforce with different ideals (Tschirhart & Bielefeld 2012, p. 77). Frumkin notes that ‘Commercialization may lead to profound cultural changes in the workforce of the not-for-profit and voluntary sector, as a new generation of leaders enters these increasingly businesslike organizations’ (2002, p. 151).

At the same time, leaders must work with government in increasingly sophisticated ways. They must have the vision, courage and political skill to move from simply being funded to supply services, to achieving genuine co-management with government in building community capacities, by ‘harnessing the productive capability and innovative capacity of both these sectors to resolve these complex problems’ (Brown et al. 2009, p. 211). The obligation of leaders to create, identify and broaden social capital has been extensively detailed by King (2004), who saw it as critical in recruiting and developing board members, raising philanthropic support, developing strategic partnerships, engaging in advocacy, enhancing community relations, and creating a shared strategic vision for staff and volunteers. Acknowledging these activities as time consuming and demanding, and requiring planning, King saw not-for-profit executives as having the pivotal role in carrying out these functions through relationships and networks with others.
This networking extends to the democratic co-construction of public policy (Pestoff, Brandsen & Verschueure 2012). At the most sophisticated level of contribution, not-for-profit leaders are encouraged to see themselves as helping to design and manage networks that contribute to the development of international civil society (Ashman & Luca Sugawara 2013). Others call attention to the potential for not-for-profit organisation to aspire to move from creating social change themselves to helping to create social movements (Hasenfeld & Gidron 2005) and contributing to a new social morphology of our societies (Castells 1996, p. 469).

**But what about leadership?**

All these commentaries draw attention to the challenging dynamics of the not-for-profit sector and the need to approach its management and leadership with keen diagnostic care and discernment. The previous section has outlined how, in recent decades, the not-for-profit literature has borrowed strategic managerial concepts from the corporate literature to describe the contribution that must come from the managers within the sector. However, while these concepts set the strategic agenda for the management of not-for-profits, if leadership is about mobilising and focusing human energy, it is not clear how these essentially managerial constructs, on their own, help to mobilise and sustain human effort under conditions of increasing complexity. As Ainsworth (2013) suggests, something seems to be missing from the sector’s understanding of leadership. Indeed, Ainsworth suggests that it is a decade behind the corporate sector in this respect.

This is not a new concern. Over ten years ago, Parsons and Broadbridge (2004) worried that not-for-profit managers had developed a professional identity ‘that borrowed almost exclusively from business and industry for its foundations’ (p. 230) and that close links were particularly evident between these new not-for-profit professionals and the strategic planning movement. They were concerned that not-for-profit managers invested in, and therefore believed in, strategic planning to such an extent that when results were poor, they blamed the culture of the organisation rather than the strategic planning
technique. They cited the research-based conclusions of Mulhare (1999, p. 327) that:

managers’ interpreted reluctance to adopt strategic planning, or inability to make strategic planning work as a signal that the nonprofit organization lacked experienced, skilful, professional management … strategic planning had become a symbolic demonstration of management competence, whether or not planning benefited the nonprofit organization in other ways.

In Chapter 2, a similar point was made: that in attempting to educate the sector in the ways of professional management, many contemporary books simply assume that some version of more or less standardised corporate management practices are not only appropriate for the not-for-profit sector, but are now expected of it. Thus Carver (2006, p. viii) was able to assert that his governance model for the sector was intended ‘to uncover principles of governance that were not only universal in their application but integrated into a seamless model and practical whole’.

Disappointingly, this kind of simplistic treatment is not uncommon in relation to leadership as well, which gets only a cursory chapter in many texts on the management and leadership of the sector. For example, Riggio and Orr’s (2004) Improving Leadership in Nonprofit Organisations, which devotes much of its content to management rather than leadership, offers only relatively simplistic accounts of topics such as transformational leadership that reflect the corporate language of the time. Other writers contract their accounts of leadership to relatively terse summaries of the range of things that leaders in the sector need to do, again, based on corporate models. For example, Hudson (2005, p. 229) advises that ‘a key challenge for chief executives is managing many issues simultaneously’ and recommends three key areas of leadership contribution: mobilise around the mission, focusing people on results through accountability mechanisms and performance management, and build a small, focused team. And Worth (2009) borrows Moyers (2005) list of ten responsibilities of chief executive officers: commit to the mission; lead the staff and manage the organisation; exercise responsible financial stewardship; lead
and manage fundraising; follow the highest ethical and legal standards; engage the board in planning and lead implementation; develop future leadership; build external relationships and serve as an advocate; ensure the quality and effectiveness of programs; and support the board.

Advice from practitioners is not always much more enlightening. Judd, Robinson and Errington (2013) sum up the contributions needed from Australian leaders of not-for-profit organisations quite succinctly. The role of the CEO, they say, is to be chief strategist, team builder and chief communicator. They also remark: ‘You may be relieved to know that this book is not going to go into great lengths on the “how to” of leadership. The leaders of charities are already confronted by such an array of “must-dos” that they quickly start to feel dizzy’ (Judd, Robinson & Errington 2013, p. 180).

However, given both its significance and its complex dynamics, the not-for-profit sector would do itself a great injustice if it were to settle for limited conceptions of leadership. Some of those writing in the not-for-profit literature recognise this very clearly, urging that it is vital to study carefully the different and emerging approaches to management and leadership, both in theory and in practice, when ‘investigating systems that are simultaneously robust and fragile, that exhibit order at the edge of chaos, that restructure time and space, that reorder what is present and what is absent (Urry 2004, p. 127). For example, Earles and Lynn (2012), as noted in previous chapters, call for high levels of sensitivity in the development of organisational and management practices, in order to work respectfully and emergently with local communities. And Davis, Kee and Newcomer (2010, p. 68) have observed:

Public and non-profit leaders face many of the same pressures of private sector organizations, but often have fewer resources and a more complex set of relationships with stakeholders. Clients and citizens are different than customers; legislatures and donors are different from stock and bondholders; organizational governance structures are often more complex and involve a greater number of actors who must be involved in any organizational change in the public and non-profit sectors.
At the very least, Ainsworth (2013) prompts the sector to look again at what has happened to ideas about leadership per se—and not just management—in the more general literature in recent years. Contemporary thinking has left behind notions of leaders as people born with specific attributes that would enable them to lead under any circumstances (Stogdill 1948); moved on to more contingent, situational understandings that leadership is the skilled and discerning use of a range of forms of social power and influence (Fiedler 1967); and more recently again to the idea of personal and organisational transformation (Bass 1985; Burns 1978; Bono & Judge 2003; Kotter 1985).

Riggio and Orr (2004) are among those who have suggested the potential value of transformational leadership theory for not-for-profit and voluntary organisations and called for more research in these areas. Their argument, that to motivate followers leaders should inspire their followers and appeal to their higher-order motives, has echoes of the servant-leader tradition that has continued to resonate in the sector. Subsequently, Allen, Smith and Da Silva (2013) have studied the impact of several leadership styles in six church communities and concluded that in these settings, transformational leaders had a more direct positive relationship with organisational climates of change-readiness and creativity than transactional and laissez-faire leaders.

But this is an idea that should be considered with care. Writing in The Academy of Management Annals, on the basis of their recent extensive review of research on leadership over the last 25 years, Van Knippenberg and Sitkin (2013) criticise the widely held view that charismatic-transformational leadership has been shown to be a particularly effective form of leadership. They argue that there are several fundamental flaws in the way they are being theorised and researched: such as lack of conceptual clarity, inadequate operationalisation of key ideas, failure to separate leadership from its effects, failure to account for moderating variables, and failure to use valid measurement tools. Like business strategy, successful leadership is often identified in retrospect. It is ‘plagued by a simultaneously underdeveloped and overly inclusive causal model’ (Van Knippenberg & Sitkin, 2013, p. 15) and ‘studied in relationship with a laundry list of outcomes’ (p. 19).
Indeed, voices within the not-for-profit literature itself have called for caution. Jaskyte’s (2004) empirical study found that transformational leadership could create a degree of cultural consensus that actually inhibits innovation. Others suggest that ‘our understanding about the effectiveness of transformational and transactional leadership in profit versus non-profit contexts has been very limited’ (Rowold & Rohmann 2009, p. 272).

However, there are other developments in the contemporary theorising about leadership that are also worth considering for the not-for-profit sector. Theories that view leadership as an emergent complex phenomenon, seek to ‘more accurately reflect the complex nature of leadership as it occurs in practice’ (Uhl-Bien & Marion 2009 p. 631). From this perspective, leadership is explored as a collective act. Rather than understanding leadership as the behaviour and impacts of an individual working alone, it is understood in collective terms: ‘as individuals and collectives (e.g., groups or teams within organizations) interact and correlation occurs, emergent events or processes are created, one of which might be leadership’ (Van Velsor 2008, p. 334). Van Velsor suggests that leadership development is achieved by ‘enhancing interactive system dynamics through facilitating the development of connections between individuals and between collectives in an organization’ (p. 333). That means leaders need to be capable of enhancing sensemaking between groups across the organisation; engaging organisational cultures and systems; and building performance from what emerges from these individual and collective interactions: ‘If leadership is a process that can emerge from the interaction of individuals and collectives in the context of shared work, there should be no limit to the leadership capacity available in organizations’ (Van Velsor 2008, p. 336).

These ideas have powerful implications for leadership and organisational development that are taken up later in this chapter.

**Emerging views on the distinctive characteristics of not-for-profit leadership**

Overall, the encouragement that comes from the latest thinking in the general literature is that leadership needs to be reconsidered, as an emergent set of practices that are sensitive to the complexity of the phenomena with which it
A number of commentators in the not-for-profit literature have signalled the need for thinking about leadership that is more sensitive to the distinctiveness of the sector:

the idea that the third sector, and relations and practices in and around it, might usefully be conceptualised as a contested ‘field’ with its own codes, language and understandings has significant potential (Macmillan 2013, p. 40).

Similarly Davis, Kee and Newcomer (2010, p. 68) argue that ‘responding to uncertain and turbulent conditions requires new leadership styles and techniques, and strategic action to ensure nimble and resilient organizational performance’.

Alexander et al. (2001) have considered how greater reliance on partnerships among community health organisations demands a number of different contributions from leaders. Unlike in hierarchical organisations, in not-for-profit organisations—where participation is voluntary and egalitarian, and cooperation involves working with other organisations with different cultures and agendas—leaders very often lack formal control over members and their actions. Alexander et al. suggested five different dimensions of collaborative leadership: systems thinking, vision-based leadership, collateral leadership, power sharing and process-based leadership.

Tschirhart and Bielefeld (2012, p. 242) have also contended that leadership in the not-for-profit sector needs to employ a diverse range of approaches (p. 234). They have reviewed a number of strands of thinking in the literature and suggest that not-for-profit leaders should vary their approach to fit the situation and should not be afraid to use multiple frames to look at situations; because by balancing roles and perspectives they can respond better to challenges.

Some of this thinking builds on much earlier work about the diversity of the contributions needed from leaders within the sector. Nanus and Dobbs (1999) suggested six roles for not-for-profit leaders: visionary, strategist, politician, campaigner, coach and change-agent. At the time, their work was significant for
being one of the very few to address leadership within the sector. Their definition of leadership blurs the distinction between leadership and management, because they position it as the marshalling of both the capital and the people of the organisation, as well as its intellectual resources. However, they suggested that the sector needed a less hierarchical notion of leadership, and a more entrepreneurial, dispersed approach, including the fostering of teamwork at all levels, strong staff relationships, robust board practices, the conversion of interested external parties into committed stakeholders, the design of a sound structure, and the mobilisation of sustainable technical and financial resources.

Other ideas about the distinctive requirements that the not-for-profit sector might have in relation to leadership come from recent thinking in the field of governance. This is perhaps surprising, given the observation that the focus of the not-for-profit literature on collective governance has inhibited intensive consideration of the contribution of individual leaders (Cornforth & Brown 2014). Despite nostalgia for the simpler, less rigorous organisation in past decades (Firstenberg 2009), there is no doubt that collective governance, rightfully, is and will continue to be a major focus for thinking within the sector. Shared power and responsibility is a new skill that has become the norm. Authority is often blurred and represents a new area for literature and research (Crosby & Bryson 2010).

As well as the traditional reason for relying on collective governance in practice, and for understanding it in theory, this continuing interest is being driven by several emerging factors. As noted in the previous chapter, Cornforth and Brown (2014) argue that the theory and practice of governance must not only keep up with changes in the broader social and economic contexts in which individual not-for-profit organisations operate, but anticipate them. These changes include more than contractual relationships with government, and more than the development of partnerships and networked services among a range of providers:

Collaboration and collaborative leadership is imperative for the human services delivery system because not-for-profits and the government
are mutually dependent on each other, and the unique challenges created by the contracting relationship need to be addressed in order to increase the likelihood of collaboration (Miltenberger 2013, p. 55).

Cross-sector collaborations also appear to be fostered by recognition that no one sector can solve an important public problem on its own (Bozeman 2007; Bryson & Crosby 2008).

Earles and Lynn’s (2012, p. 150) have suggested the term ‘transformational collaboration’; more than networking, coordination or cooperation, transformational collaboration aims to share resources and learning right across the not-for-profit sector, for the same reason that banks share the cost of technical platforms ensuring the safe transfer of customer funds. While this might be a more prosaic perspective than that intended by Earles and Lynn, the not-for-profit sector, like all others, operates in a world increasingly negotiated through social media: The rapid expansion of the internet has created virtual communities of interest defined less by needs for fellowship and more by common appetites for information’ (Fishel 2008, p. 2).

This line of thinking significantly problematises the way in which the leadership contribution of individual leaders in hierarchical, single-agency structures differs to that of network leadership: ‘the research question that is the 800 lb gorilla in the room remains largely unaddressed: What is leadership in multi-actor settings?’ (Silvia & McGuire 2010, p. 264).

Cornforth (2003, 2004) has quite explicitly recognised the paradoxical tension in play here, arguing not only for the use of more systemic perspectives, but also for a serious re-consideration of the role of individual actors. Cornforth and Brown’s (2014) latest and very recent work points out that relatively little research has explored the leadership role of board chairs, and the factors that might explain variations in their impact and effectiveness.

Cornforth (2003, 2004) has asserted that a paradox perspective is essential in understanding and enacting governance and leadership within the sector, and that this in turn calls for a meta-theoretical approach encouraging consideration of a range of different ideas: democratic governance, both agency and
stewardship theory, stakeholder and network theories, the implications of resource inter-dependencies, and even managerial hegemony theories.

Although still limited, the not-for-profit literature has at least started to consider the role of individual leaders in the governance process. For example, Peter Jäger and Rehli (2012) have undertaken a study of relationships between board chairs and executive directors. On the basis of a rare and multi-phase study carried out in the USA, the UK and Canada, Harrison and Murray (2012) have identified some of the characteristics that chairs of boards themselves associate with effectiveness in carrying out the role. The qualities they nominate include the ability to generate teamwork, relational skills, emotional intelligence and spiritual intelligence.

Others have grappled with the tensions created for CEOs in working with their boards as they try to both collaborate with government and with other not-for-profits, and compete directly with each other to secure government funding and donor loyalty (Irvin 2010). As noted already, leaders are now encouraged to learn how to best take advantage of partnerships, and to become skilful in boundary-crossing: ‘the CEO must be able to successfully negotiate, frame issues and engage stakeholders if he/she is to be a successful collaborative leader’ (Morse 2010, p. 232). And they must be effective networkers in the governance space:

More and more aspects of corporate governance such as the themes of greater transparency and cross-sectoral working are becoming common to all three (private, public and not-for-profit) sectors. This would appear then to indicate a transition towards greater commonality of purpose and imply moves towards yet more uniform cross-sectoral, networked approaches to organizational leadership (Pinnington 2011, p. 337).

Emerging thinking about other individual actors, most particularly individual board members, draws upon engagement theory, group dynamics and theory to explain the circumstances under which individuals choose to become involved in processes of influence and decision-making, and the ways in which they go about it. For example, Kahn’s (1990) and Rich, Repine and Crawford’s (2010) notions of the psychological antecedents of engagement (cognitive, emotional
and physical) can be used to explain how, when and how much individuals are ready and willing to commit to active and sustained participation. Dimensions such as perceived alignment of values, ownership of responsibility, self-efficacy and a sense of trust and safety could be fruitful in this respect.

Other theoretical perspectives of potential interest include social-learning theory, group dynamics and psychoanalytic theory, all of which provide well-established lenses through which to study the collective processes of influence and decision making that play out at the board table. For example, Reid and Turbide’s (2012) work on six Canadian not-for-profit organisations explores the ways in which highly structured processes both serve to contain the unconscious anxieties that could otherwise undermine confidence in board processes but which might also limit what they are able to discuss and therefore resolve. Finally, Weick’s (1995, 2012) theories of sense-making offer possibilities for re-interpreting seeming failures of judgment as the collapse of sense-making capability under conditions of incomplete, ambiguous and conflicting data.

Work on the leadership behaviour of chief executive officers remains scarce. However, these are all perspectives that sit well with the work of Lewis and Smith (2014) as they consider the nature of paradoxical leadership. It is to their work that the chapter now turns, in order to explore the possibilities that it might hold for the practice and development of executive leadership in the not-for-profit sector.

**Paradoxical leadership: a different understanding of the work involved**

In her original exploration of paradox, Lewis (2000) was motivated by the prospect of researchers actively seeking to develop concepts and theories that would directly engage with the complexities and contradictions of human activities and interactions in organisations. The previous chapter described how a theory of organisational paradox (Lewis 2000; Smith & Lewis 2011), using the notion of mutually reinforcing and persistent cycles of action and reaction, could usefully account for organisational and systemic dynamics in the not-for-profit sector in Australia, particularly relating to government-funded charities. What
Chapter 6 – Implications for leadership and leadership development

was not explored in that chapter was the explanation of how these dynamics work at the individual level.

It should be pointed out, though, that paradoxical conceptions of leadership are not new. Denison, Hooijberg & Quinn (1995) have noted that there was very early (although isolated) recognition in the leadership literature (Hemphill & Coons 1957) that factors typically treated as conceptual opposites (that is, as dilemmas) are in fact closely related (paradoxical). The paradoxical nature of leadership and the wide range of capabilities required to lead effectively was later recognised by Bass (1960), Blake and Mouton (1964), Lawrence, Lorsch and Garrison (1967) and Burns (1978), recognising that leadership work inherently demands simultaneous attention to competing issues and foci: task and interpersonal relations, integration and differentiation.

The essence of Smith and Lewis’s (2011) theory at the individual level is that the inherent underlying connectedness of seeming polarities is obscured by the way in which human beings typically perceive them. This micro-level of analysis offers a deeper level of explanation of how human interaction in organisations creates tensions that ultimately translate at the systemic level into cycles of serial intractability or vicious escalation that involve many people who do not even know each other. Two key ideas are used in this exploration of human behaviour: polarised cognitive and social constructions; and defensive reactions. The following section summarises Lewis’s (2000) overall line of thinking.

Building on the thinking of Kelly (1955), Hampden-Turner (1981), Bartunek (1988), Ford and Ford (1994), Vince and Broussine 1996) and Weick and Westley (1996), Lewis (2000, p. 761–3) argues that most individual actors in organisations obscure or simply don’t see that paradoxes actually represent two sides of the same coin: that one cannot exist without the other. Kelly’s (1955) personal construct theory suggested that individuals usually use simple bi-polar constructs to make sense of complex realities like their own feelings and those of others, of the practices and behaviours of collectives, and of data in the environment more broadly. Driven by a strong preference for simplicity, individuals routinely rely on logical, internally consistent sets of abstractions that
separate things into opposites. As F Scott Fitzgerald (1945) observed: ‘The test of a first rate intelligence is the ability to hold two opposed ideas in the mind at the same time, and still retain the ability to function’.

Bartunek (1988) argued that the simple framing of things as opposites is understandable, given that human beings make sense of things at even the most elementary level by placing brackets or boundaries around them, such that the figure is differentiated from the background, and we are able to see it. But these distinctions can quickly become objectified and habitual, and once entrenched, are very difficult to change. Hampden-Turner (1981) suggested that in the West, the methods of traditional scientific inquiry encouraged this polarisation, creating formal logic systems of either-or thinking that renders people incapable of noticing or comprehending paradoxical dynamics (Ford & Ford 1994). And Vince and Broussine (1996) proposed that language practices can reinforce the desire to polarise, suggesting that individuals typically default to defining something by what it is not. This view is supported by Weick and Westley’s (1996) proposition that conventional grammar and language creates, reflects and reinforces the limitations and conventions of common logic.

Having created and committed to these opposites, individuals then take action that does the opposite of what was intended, triggering a response from someone else that in turn reinforces the way the first actor understands the situation. This is a form of self-fulfilling prophecy. So a fight for freedom triggers more control and, in turn, more fights for freedom. When such tensions become codified and objectified in the way an organisation or system sets up its rules and procedures, the paradoxical cycle endures across time, place and generations of different people. Organisational structures ‘embed inertia structures (Henderson and Clark 1990), routines (Eisenhardt & Martin 2000), processes (Gilbert 2005), and capabilities (Leonard-Barton 1992), where the future becomes beholden to the past’ (Smith & Lewis 2011, p. 391).

Putnam (1986, p. 161) has offered the example of organisation composed of so-called autonomous teams that are controlled by highly centralised and formal procedures of reward, performance measurement and resource allocation. This system contradiction represents a paradox that can endure for a
long period of time, creating dysfunction at several levels, some of it conscious and playing out in overt struggles for power, and some of it unconscious, disrupting energy and focus in ways that are not acknowledged. Lewis (2000) argues that on many occasions, people defensively cling to past understandings and beliefs rather than endure the discomfort of acknowledging how their own behaviour perpetuates the situation they confront.

Just as the reactions of individuals that create and sustain paradoxes that can be codified in organisational arrangement and practices, so too their defensive reactions can become codified and institutionalised in this way. In a contemporary take on Freudian psychology, Argyris (1993, p. 40) has suggested that organisational defences include ‘any policy or action that prevents someone (or some system) from experiencing embarrassment or threat, and simultaneously prevents anyone from correcting the causes of the embarrassment or threat’. Lewis (2000) explains how a paradox is a double-edged sword:

By suppressing the relatedness of contradictions and maintaining the false appearance of order, defences may temporarily reduce anxiety. But suppressing one side of a polarity intensifies pressure from the other. The result is a ‘strange loop’ (Hofstadter 1979). In attempting to reduce the frustrations and discomfort of tensions, actors’ defensive behaviours initially produce positive effects but eventually foster opposite, unintended consequences that intensify the underlying tension (Lewis 2000, p. 763).

Lewis then summarises the six defensive reactions associated in the literature with individual, group and organisational levels of paradoxical dynamics (see, in particular, Smith and Berg 1987 and Vince and Broussine 1996). Her own distinctive contribution is to associate each of these with one or another of the three classic paradoxes identified in her framework: paradoxes of learning, organising and becoming. Associated predominantly with paradoxes of belonging are splitting, where subgroups form and highlight us-them boundaries to mask similarities; projection, where conflicting or unacceptable feelings are transferred to a scapegoat; and ambivalence, where the extremes of conflicting
emotions are masked under a lukewarm, half-hearted response. Defences of repression or denial that block awareness of uncomfortable or contradictory memories, and reaction formation (where people or practices enact an exaggerated opposite of the things they are threatened by), are associated by Lewis with paradoxes of organising. Paradoxes of learning are associated with repression, projection and also regression, where behaviour and thinking that have been a source of comfort in the past are used inappropriately in the present. All of these are worth exploring in a little more detail.

Paradoxes of belonging raise defences of ambivalence and projection as people struggle to retain their identity in the face of processes that seek to unify and standardise thinking, behaviour and practice; or try to resolve ambivalent cues as to whether they are included or excluded. Defensive behaviours can range from bland compromises and collusions that mask and modify what might otherwise be very intense feelings; to angry, exaggerated outbursts of accusation, blame and attack that either frighten others into consenting to black-and-white views of the world, or provoke countering hostility. The slogan ‘that you are either with us or against us’ can be used at any level of organisation to bully, exclude and isolate.

Since organising is itself a source of tension, Lewis (2000) argues that paradoxes of organising abound, citing Bouchikhi’s (1998, p. 224) definition of organisations as ‘social spaces continuously torn by members in multiple and contradictory directions’. So efforts to enhance staff involvement and loyalty can produce mistrust and resentment, and protocols for ensuring fairness and equity are met with vehement complaints of injustice. Tensions between control and flexibility are often quickly embedded or codified through protocols and procedures that send mixed messages about whether so-called empowered employees are really to be trusted. Middle-level managers are constantly caught in the contradictory space of being held accountable for the efforts of large numbers of people to whom they must delegate significant authority, while the managers themselves are subject to constant monitoring and limits to their discretion. Lewis (2000, p. 768) suggests that ‘romanticising empowerment’ is a common form of denial or repression of what is actually happening. Alternatively, the anxieties and uncertainties involved can trigger defensive and
overly rigid logics that deny the complexity of the issues involved, and are completely at odds with espoused intensions.

In *paradoxes of learning*, defences can seriously slow down or paralyse learning at individual, group and organisational levels. Between them, repression, projection and regression save people from the confronting awareness that their existing skills, knowledge, assets and practices are inadequate. Miller (1993), Argyris (1993), Westenholz (1993) and Vince and Broussine (1996) are cited by Lewis (2000) as offering research-based examples of how individuals and groups can attribute their success to things they believe they do well, but routinely attribute their failures to factors beyond their control. Or blame other groups or levels within their own organisation for failures and mistakes, thus limiting the possibility for deeper understanding of what is really going on. Simplifying messages in the face of growing uncertainty also limits the potential for new thinking at the time when it is badly needed. Similar to a person trying to shout the same message more loudly to an uncomprehending audience, organisations defiantly rely more and more on old skills and miss the chance to tackle things in innovative ways.

The ideas just presented are sophisticated and interesting. And they need translation into the world of the not-for-profit sector. And, indeed, there are existing discourses that effect that translation. Wilcox’s (2006) concrete and provocative treatment of the paradoxes of day-to-day life in the not-for-profit organisation uses quite another language for capturing the sector’s psychodynamics. By holding uncomfortable truth up to the light of day, ideas and practices can ‘tame and transform unruly pachyderms in well-behaved friends’ (Wilcox 2006, p. xvii). Wilcox exposes several elephants in the room—unacknowledged but powerful tensions that tie up the energies of organisations in repetitive and self-defeating routines.

The *mission impossible elephant* is that while conventional rhetoric is that not-for-profit leaders think about mission and strategy, what they actually do is engage in politics and the management of volunteer activities. An important element of this elephant is that people with special attachment to the cause adopt an ‘I’m the expert’ stance that makes it difficult for professional staff to do
their job, and results in the escalation of day-to-day issues to executive level: ‘It takes just one dysfunctional volunteer to hold the entire system hostage, and there’s at least one on every board and committee’ (Wilcox 2006, p. 69).

The earth to board elephant is that while boards and CEOs think they hear constituents, they ‘have a tendency to become immersed in a self-made comforting cocoon of unreality that fails to reflect the actual state of the organisation or the will of its members’ (Wilcox 2006, p. 61). An aspect of this is the ‘CEO thinks everything is wonderful game’ (p. 66), saying yes to all board requests, being upbeat and putting a positive spin on organisational activities, and withholding negative information for as long as possible.

The board fiddles while Rome burns elephant is that boards think policy is synonymous with governance, rubberstamping management policy while ignoring macro-governance policy. The smile not skill elephant means that volunteer leaders judge professional staff on likeability rather than their professional performance; and the read my lips elephant substitutes talking for doing, rhetoric for achievement. In particular, it involves a form of hubris that makes heroes out of board members or volunteers when they put in huge—and highly applauded—amounts of effort into ‘rescuing’ their organisations from crises created by their own incompetence.

However they are represented, whether in the earthy and direct language of Wilcox (2006) or the highly conceptual framings of Smith and Lewis (2012), or in the words of the CEOs themselves, the paradoxical and challenging dynamics of leadership practice are laid bare in all that has been said so far. These commentaries lead to another and obvious question: how are leaders for the sector to be developed?

Developing leaders

The importance of maintaining a flow of competent executive leaders in the not-for-profits has been raised in the literature for at least the last twenty years, as Kuna and Nadiv (2013, p. 63) have noted:

Executive leadership is a critical component in the success of nonprofit organizations (Froelich, McKee & Rathge 2011), however, nonprofit
organizations experience extremely high turnover rates at the executive director level (Adams 1998; Clark & Clark 1994; Wolfred 1999). Various reasons have been given for this finding, including the substantial numbers of baby boomers who reach retirement age (Froelich et al. 2011). With nonprofit organizations growing in both size and number, an impending leadership deficit is a concern (Citrin & Ogden 2010).

Demographics are not necessarily the only issue here. Whilst working in the not-for-profit space is an outlet for altruism and self-sacrifice, where individuals have a deep passion for the issues, these same qualities mean staff burnout with the pressure, deadlines and stress, putting themselves at risk. Not-for-profit work inspires passion but ‘researchers find high rates of burnout in the nonprofit sector, as individuals put their work-life balance at risk in order to help others’ and leaders must learn to manage their own over-commitment and that of staff (Tschirhart & Bielefeld 2012, p. 291).

Some believe that what is being portrayed as a crisis is actually an opportunity. Suarez (2010, p. 697) notes:

Though the number of nonprofits continues to increase, baby boomers and activist leaders from the social movement era are starting to retire, and surveys portend an impending leadership shortage, few studies analyze the diverse paths individuals take to become nonprofit executives (Bell, Moyers, & Wolfred 2006; Harrow & Mole 2005; Kunreuther 2003; Onyx & Maclean 1996; Tierney 2006).

There is no doubt that many professionals with business experience move into executive positions in charitable enterprises, bringing with them corporate business skills and practices that are thought to be increasingly important in the not-for-profit world, and inspired by a drive to give something back to the community. But Pynes (2011, p. 175) suggests that the pending crisis in leadership numbers provides ‘an opportunity to evaluate whether the variety of demographics located within the community is reflected in the board of directors and the agency staff’.

However this implicit question is addressed, the professional preparation of people for management and leadership roles in the sector has triggered discussion and
study of the ways in which management education for the sector is being
designed and organised around the world, in both university and other
programs (Hvenmark & Segnestam Larsson 2012). Wish and Mirabella (1998)
documented the early growth in the 1980s and 1990s of university courses in
the USA offering not-for-profit management graduate programs; and Mirabella
and Young (2012) note that these were mostly in schools of public
administration, focusing on program evaluation, performance management and
globalisation of the sector. Their review of university offerings in the USA and
the UK also reveals that business schools, which have lagged in offering
courses for the not-for-profit sector, are now offering new courses focused on
social entrepreneurship and social enterprise. They found about forty courses in
the USA and the UK with a concentration on social entrepreneurship.

Interestingly, in the light of the criticism made earlier of the management books
created for the sector, they found that 63 per cent of these programs stated that
borrowing and adopting the logic of the private sector was a major goal of their
program. Seventy-five per cent of the content of these programs in business
school settings was focused on market skills. Very few declared an
understanding of political and economic policy and ethical forces as an
important program emphasis. Even more disturbingly for Mirabella and Young
(2012, p. 47): ‘We found no mention of engaging the citizenry in the
development of policy alternatives’.

As a result, the big emerging question is whether these offerings will diverge
from the previous ones or whether the field will converge into a commonly
accepted framework of educational principles, standards and content for the
development of future managers and leaders in the sector. If the latter happens,
then arguably the calls of Macmillan (2011), Davis, Kee and Newcomer (2010),
and Earles and Lynn (2012) for diverse and emergent management and
leadership practices will go unanswered.

In the light of this, the next section of this chapter explores what a curriculum for
paradox might look like, one that does not settle for standardised notions of
leadership and practice. Such a curriculum needs to do justice to the distinctive
paradoxical dynamics of the not-for-profit sector, and to the formulations of
leadership and leadership development for complexity that were explored earlier. The section returns to the work of Lewis (2000) and Smith and Lewis (2011), who have considered what a curriculum for paradox might look like.

A curriculum for the cognitive, emotional and behavioural complexities of engagement with paradox

In her decade-long exploration of the complex dynamics of paradox, Lewis (2000) and later Smith and Lewis (2011) fully acknowledge that human beings both habitually and regularly create and aggravate the paradoxical tensions that entrap and confound them. However, they remain optimistic about the capacity of individuals and collectives to learn to usefully intervene in what could otherwise be self-perpetuating negative cycles of activity.

To Lewis, managing paradox means not controlling but rather ‘capturing its enlightening potential’ (2000, p. 763):

The goal is to journey beyond reinforcing cycles, dramatically rethinking past perceptions and practices. According to Farson, ‘Our natural inclination when confronted with paradoxes is to attempt to resolve them, to create the familiar out of the strange, to rationalise them’ (1996, p. 13). Yet, in today’s complex organisations, models based on linear and rational problem solving do managers tremendous disservice. Managers need to recognise, become comfortable with, and even profit from the tensions and the anxieties they provoke, for ‘the contribution of paradox to management thinking is the recognition of its power to generate creative insight and change’ (Eisenhardt & Westcott 1988, p. 170) … Tapping the power of paradox, is difficult, however, because escaping reinforcing cycles requires seemingly counterintuitive reactions (Cameron & Quinn 1988). Paradox management entails exploring rather than suppressing, tensions (Lewis 2000, p. 764).

In her initial exploration of what this means for the contribution that leaders need to make to their organisations and communities, Lewis suggests several key principles. The first is that leaders need to help individuals to learn to reclaim aspects of themselves: emotions and experiences that have been
simplified, denied, polarised and projected elsewhere. The second is that leaders need to move from planning and controlling to coping and accepting: coping with the tensions that are inherent in paradox by being open, allowing critical and sustained examination of simplistic polarised thinking. The idea of coping includes the notion of playing through the hard bits, sustaining engagement without overdoing or underdoing the energy brought to the task. Playing through might mean sticking to the technical aspects of the task in parallel while simultaneously acknowledging and working through the emotional conflicts that arise as people reclaim themselves. The third is that this leadership work of coping needs to be shared by more than a few people at the top of organisations: coping with tension needs to be local and distributed—the work of everyone.

A fourth principle is the confrontation of paradox through deliberately critiquing the thinking that created and sustains it. Confrontation might include a number of strategies—including shock, more open communication and experimentation. To shock means to disrupt or violate a perspective or standard, to take someone by surprise, even to have them catch themselves out, so that they have no time to regroup in the face of a new experience. But shock does not always work and can create its own counter-reactions. So, less risky and more subtle strategies might be employed, such as inviting people with very different perspectives to problem-solve together in ways that respect and leverage difference, or to put fresh data in front of them, or set up low-risk experimental pilot projects. Although confrontation eventually requires some serious effort, Lewis (2000) supports Hatch and Erlich’s (1993, p. 524) recommendation of humour as an initial pathway, since humour in groups and organisations often acknowledges things that otherwise are not alluded to.

The final principle is that of transcendence: the capacity to think paradoxically, to examine entrenched assumptions that things are ‘either this or that’ and consider the possibility that they are ‘both and’. This involves a capacity to hold in creative tension two opposing ideas and to constructively leverage the possibilities of each:
For example, Mozart and Beethoven linked harmony and discord to fuel their musical inspiration. Artists such as Picasso and van Gogh used jarring juxtapositions to portray the ambiguity, diversity and complexity of perceptions. And Einstein envisioned a man falling off a building and at rest relative to things falling beside him and moving relative to sights he passed on the way down, forever altering understanding of physics (Lewis 2000, pp. 264–5).

The framing of a super-ordinate or future goal that is able to incorporate and make sense of a range of seemingly contradictory shorter-term goals is a more prosaic version of this in organisational settings. The use of language that is capable of holding these tensions, without allowing one or another element to dominate or overwhelm, is another. The crafting of compelling organisational stories that can contain all the conflicting elements is one way of doing this. Leaders in this transcendent mode, through their own behaviour and practice, can model that authority and democracy are both in play in the organisation, that discipline and empowerment depend upon each other for their effectiveness, that one can be tough yet tender, and that formalisation and discretion can be fully developed only in the presence of one another.

In a later work, Smith and Lewis (2011) reframe these principles as involving varying degrees of acceptance and active resolution of the dynamics involved, where leaders knowingly enable and encourage virtuous cycles of engagement, and challenge defensiveness in their own and other's reactions to paradox. They believe that acceptance lays the groundwork for creating virtuous cycles, since it allows people to accept that tensions can and should exist together. Positive responses to paradoxical tensions all involve accepting tensions as opportunities or invitations to create, both personally and organisationally. Smith and Lewis suggest that both acceptance and resolution involve cognitive and behavioural complexity, and what they call emotional equanimity in individuals, and dynamic capabilities as dimensions of organisations.

Cognitive complexity involves being able to recognise the connectedness of seeming opposites, to 'host paradoxical cognitions' (Smith & Lewis 2011, p. 391), to create cognitive frames that accept contradictions (Smith & Tushman
2005), deliberately seek out and value differences between competing factors and identify potential synergies (Suedfeld, Tetlock & Streufert 1992). Embracing or living with paradox (Clegg, da Cunha & e Cunha 2002) asks people to accept paradoxical tensions as normal, persistent and unsolvable puzzles, and to give up their usual expectations of linearity and rationality. This means explicitly training managers to first of all pay active attention to their own sense-making, to the way they regularly polarise their understanding of things; and then teaching them how to discover the hidden but powerful links between things that seem to be so fundamentally in opposition. In their own action research, Lüscher and Lewis (2008) studied how this might be done, how ‘ordinary’ managers and leaders could learn what F Scott Fitzgerald thought was the hallmark of a first-rate intelligence.

Cognitive complexity has been explored over several decades:

The concept of cognitive complexity has been addressed by many authors (Weick 1979; Kiesler and Sproull 1982, Bartunek et al. 1983; Streufert and Swezey 1986; Jacques 1986), and there appears to be agreement that cognitive complexity is a necessary condition for effective leadership (Denison, Hooijberg & Quinn 1995, p. 525).

It also resonates with Tsoukas’s (2001) independent framing of second-order complexity mentioned in the previous chapter, and if

a simple process is applied to complicated data, then only a small portion of that data will be registered, attended to, and made unequivocal. Most of the input will remain untouched and will remain a puzzle to people concerning what is up and why they are unable to manage (Weick 1979, p. 189).

In the not-for-profit literature, very recent thinking draws on the cognitive tradition of sense-making:

A pivotal aspect in predicting non-profit response is also about how the organisational leader ‘critically filters’ or interprets and forms an understanding of their organisation’s structural and environmental circumstances, based on the extent to which they see their organisation...
as an institution. Such a finding has significant implications, especially for non-profit service providers. Organisations that deliver government programs are often required to do so within a paradigm where they are expected to operate as ‘tools’ of government (Osborne & Gaebler 1992; Salamon 2002). However, this may be incongruent with a leaders’ perception of their non-profit as an institution, therefore setting the scene for more resistant strategies (Oakleigh 2009, p. 66).

It was an interest in how CEOs make sense of their world that drove the design of the study reported in this thesis. Weick (1995) himself, along with many others, now adopts a discursive stance on sense-making, one that is also emerging in the not-for-profit literature: ‘In practice, of course, the third sector includes a multiplicity of diverse entities held in an unstable and discursively constructed alliance’ (Macmillan 2013, p. 12).

Turning to another key dimension of leadership practice suggested by Smith and Lewis (2011), behavioural complexity means resisting the temptation to choose between competing tensions, and to control impulses to simply collude with the common view, the quick fix or the traditional group response. Human beings as individuals and collectives succeed in the face of complex, ambiguous, contradictory and unanticipated demands when their practices are diverse and differentiated, rather than uniform and specialised. This aspect of the paradox perspective has been explored previously, and in some detail, on the basis of empirical research undertaken by Denison, Hooijberg and Quinn (1995). These researchers argued that leadership implies action as well as cognition, the capacity to perform (and not just conceive) multiple and contradictory roles, such as the enactment of both direction and facilitation, production and innovation:

As the size and differentiation of a leader’s network grows, so does the potential for paradox and contradiction. The breadth and depth of a leader’s behavioral repertoire thus become the leader’s distinctive competence. Effective leaders must be loose and tight, creative and routine, and formal and informal. Thus, the concept of behavioral complexity incorporates both the idea of a behavioral repertoire, and the
idea of paradox and contradiction … [and] leads to a simple definition of effective leadership as the ability to perform the multiple roles and behaviors that circumscribe the requisite variety implied by an organizational or environmental context. If paradox exists in the environment, then it must be reflected in behavior. Thus, a leader with a diverse role and skill repertoire and a broad behavioral portfolio will be best suited to react to a complex, yet often ambiguous and indeterminate organizational and environmental context (Denison, Hooijberg & Quinn 1995, p. 526).

Their stance provides a strong theoretical endorsement for the framing of leadership work in the not-for-profit sector as requiring multiple roles, which was described earlier in this chapter:

At the day-to-day level, it requires humility and a willingness to be proved wrong and work with uncertainty. Leadership of ‘uncertainty’ requires leaders to both have an appetite for risk and to be risk-aware; but to guide responses/solutions in the context of many unknowns. Leadership needs to be highly adaptive and responsive in this changed context as ‘there is no one way of doing it’ (Trickett & Lee 2010, p. 438).

Denison, Hooijberg and Quinn (1995) set out to validate Quinn’s (1984, 1988) earlier model of leadership roles that specifically addressed issues of paradox and contradiction in the work of leadership. Quinn represented the eight roles in a circular pattern that highlighted the tensions between them. So the role of director was represented as being in tension with that of mentor, the role of producer in tension with that of facilitator, broker with monitor, and coordinator with innovator. Effective leadership was not seen to be the capacity to be an effective monitor or an effective director, but to be able to perform both of these roles simultaneously.

As well as validating the roles, Denison, Hooijberg and Quinn (1995) suggested that there are many other paradoxical leadership roles that are inherent when leaders work across boundaries between functions, occupations, companies, industries, and public and private organisations. Others will also emerge when leadership crosses national, linguistic, and cultural boundaries.
They also signaled the importance of emotional complexity, the third dimension addressed by Smith and Lewis (2011), noting that behavioural complexity, on its own, casts the human relationships upon which effective organisation depends in stilted, rather wooden terms, and also grossly underestimates their true complexity. Smith and Lewis would agree. They argue that acceptance and resolution imply not only strong intellectual and behavioural dimensions of practice, but robust emotional ones; such as being able to notice emotional reactions in oneself and others, tuning into anxiety and how it manifests, noticing the surface signs of less conscious defensive reactions and being able to calm oneself as well as others. Smith and Lewis refer to this as emotional equanimity, an emotional calm and evenness that can deal with the strong emotions that paradoxical tensions can create, but also discern the more subtle but entrenched emotional energies that sustain long-held beliefs that things are either right or wrong. It is these emotional responses to ambiguity and uncertainty that create the defensive reactions adopted, often unconsciously, to contain anxiety.

Smith and Lewis (2011) set an extremely challenging agenda for a leadership curriculum fit for the practice and development of paradoxical leadership. Leaders must not only cultivate and sustain their own cognitive, behavioural and emotional complexity, but help others to do the same.

**A pedagogy for the complexities of paradox**

As suggested earlier, those seeking a curriculum fit for the paradoxical complexity of the not-for-profit sector might struggle to find it if university offerings become more standardised and globalised (Mirabella & Young 2012). This is not just a question of curriculum but of pedagogy. By definition, the development of cognitive, behavioural and emotional complexity is not a matter of intellectual knowledge transfer, but calls for approaches to teaching and learning that hold the emotional and behavioural dimensions of significant personal change. These requirements are well understood, and are increasingly explored in the educational literature (see for example, Savin-Baden’s (2007, p. 1) exploration of ‘liminality and the need to lurk differently’ in troublesome
learning spaces). Arguably this literature is still well ahead of the general literature on management and leadership development.

However, there are glimpses in the not-for-profit literature that some educators and theorists are not just making an effort to develop more nuanced approaches to curriculum and pedagogy. Donmoyer et al. (2012) have reviewed efforts to close what they frame as a theory–practice gap in university programs; and Harwell Schaffer (2012) describes examples of practitioner involvement in the design and teaching of university programs on leadership and management for the not-for-profit sector. Some of the programs they describe use ongoing university–community partnerships to design and develop programs specifically tailored to address the management challenges of the sector.

However, the development of paradoxical leadership faces an even greater challenge. Evans, Pucik and Bjorkman (2011, p. 51) point out that securing and managing the limited resources the organisation relies on leaves little leadership energy for guiding or inspiring demanding change processes of any kind. This is an old problem: when scholars are calling for strategic, innovative and inspired leadership, managers are focused on solving the current crisis and managing the day-to-day survival of their organisations (Golensky & Walker 2004; Hopkins & Hyde 2002). In the struggle to survive, the devotion of time and effort to the development of personal or organisational capabilities at any level can be seen as an indulgence. Kuna and Nadiv (2013) point out that such interventions are seen as luxuries, and are the first things to be given up when resources are tight.

Noting the paradoxical conundrum that the organisations that need these interventions are most likely to be the first to give them up, Kuna and Nadiv (2013) provide an excellent example of the learning paradoxes described by Smith and Lewis (2011). They believe that the same is true of most organisation development interventions in the not-for-profit sector, so that the time allocated to processes of organisational diagnosis is often far shorter than necessary; and interventions too general, given that more specific interventions are more expensive. Their assessment reflects a longstanding recognition that the sector

The consequences can be vicious, in paradoxical terms: ‘the very nature of human services agencies makes them difficult to manage, let alone change … in particular the overwhelming nature of the environmental crises may result in a withdrawal to intra-agency dynamics that seem easier to control’ (Hopkins & Hyde 2002, p. 12). Ironically, on the basis of their own research on the sector, Bess, Perkins and McCown (2010 p. 46) suggest that ‘organisations that did not have in place on-going practices of inquiry and reflection also lacked a cohesive organisational identity’.

In more recent commentary, Fox (2013, p. 74) has this to say:

Several scholars have highlighted the need for OD [organisational development] interventions in human services organizations to focus on transformative or second order change (Bess, Perkins, & McCown 2010 Evans, Prilleltensky, McKenzie, Prilleltensky, Nogueras, & Huggins 2011; Hyde 2003). Bess et al. (2011) define transformational change as ‘involving a qualitative change in the structural or cultural systems of an organization that requires the development of new cognitive schemas among members for understanding the organizational setting or context in relationship to its purpose or mission’ (p. 36). Hyde (2004) warns that one of the primary issues with OD in human services organizations is a reliance on short term incrementally focused interventions, often relying on “canned” approach rather than tailoring interventions to the agency’ (p. 11).

This calls for imaginative thinking about how the sector might meet its needs for leadership development:

With limited resources, charities, social enterprises and community organisations need to get better at sharing and working in clusters and partnerships to bring opportunities for leadership development. A simple exchange of direct experience, short secondments or ‘critical friends’ across organisations could give leaders out-of-the-box moments for reflection. Those in governance should be included in this too …
playing together we will find some innovative solutions, which we must share more widely. We will do this better if we collaborate openly and creatively (March 2010, p. 12).

This suggestion is certainly in keeping with Earles and Lynn’s (2012) conception of transformative collaboration. But it begs the question of what leaders and their organisations can manage on a day-to-day basis, either alone or in concert with others, that could develop their capacity to understand and engage with paradoxical complexity—and do this in ways that release the human potential and energy envisaged by Smith and Lewis (2012).

As Lewis has pointed out, a pedagogy of paradox complicates perceptions of what it means to manage and lead in the modern world (Lewis 2000, p. 774). But it needs to do this in ways in which people can cope and not be overwhelmed. Lewis offers some research tools for the recognition and exploration of paradoxes that could be adapted for practical day-to-day reflective coaching practices. These include noticing the clues to paradox offered by the humour that people use in their place of work: as when a prison guard jokes that he or she feels like a prisoner. Humour can both constructively express and contain a profound conflict between positive and negative feelings, letting out tension that might otherwise be denied and repressed in destructive ways. Ironical humour is an especially powerful clue that can be explored casually and in non-confronting ways. Similarly, leaders can notice what is played down or avoided in their own dialogue, as well as in the stories of others. Weick (2012) has explored in some detail the ways in which thin stories, that leave out the anxiety, fear and conflicting tensions of complex everyday practice, can come to dominate dialogue in some organisational settings. If the stories’ language and the stories become too thin, the capacity of individuals and the organisation to cope with change or ambiguity is significantly eroded.

Imagery is also suggested as a way of playfully drawing out the ways in which people are experiencing and dealing with paradoxical tensions in their day-to-day working lives. Vince and Broussine (1996) are among those who have explored the way drawings can help people to say the unsayable, to represent both fear and hope, anxiety and optimism—contradictions and tensions that can
be hard to express in other ways. These ideas suggest fruitful pathways for further development of thinking and practice focused on a paradoxical pedagogy.

This inductive study has been possible because forty-one individuals were generous enough to share their thinking about the challenges of the sector and the ways in which they try to engage with its challenges. Their experiences of the sector were initially interpreted as representing dilemmas (Chapter Four) and then further interpreted as engagements with paradoxical dynamics (Smith and Lewis, 2011) that, once understood as such, help to describe and explain key aspects of organisational and systemic functioning in the sector (Chapter Five). This line of analysis and inquiry also encourages exploration of individual behaviour in terms of paradox, and this in turn provided the basis for the exploration of leadership theory offered in this last chapter. To close the inquiry loop, it is reasonable to ask whether these ideas about leadership are reflected at all in the conversations with the CEOs, although it should be pointed out that the study was not positioned as a study of leadership practices in the sector. They were not asked about how they lead their organisations, but rather about how they perceive the sector.

However, as the author reflects now on the nature of the conversations, revisiting the notes she made at the time, as well as the transcripts, she is struck by the frequent use of humour and irony to quickly move from one set of observations to another. While it is beyond the scope of this account to offer anything like a systemic examination of these aspects of the conversations, the author’s own observation is that the CEOs were often able to leap from a stark assessment of the situation facing their own organisation (or the sector as a whole) to a position of intent about the future, conveyed with a tone that is not necessarily reflected in the words on the page. These were robust, energetic conversations that covered a lot of ground very quickly, and were described in the Methods Chapter (Chapter Three) as messy, circuitous, overlapping and non-sequential.
Building dynamic organisational capabilities

Others have been thinking for many years that individual capability needs to be developed and sustained through the development of organisational capabilities (see for example, Schein 1985). This perspective is entirely consistent with the more recent thinking about leadership and leadership development that was alluded to earlier (Storey 2013; Van Velsor 2008).

The perspective would suggest that the work of paradoxical leadership extends to the development of organisational capabilities that support and sustain individuals and teams, and their leaders, as they engage constructively with paradox. Sale and Sale (1980) has put it this way:

Diversity is the rule of human life, not simplicity: the human animal has succeeded precisely because it has been able to diversify, not specialize: to climb and swim, hunt and nurture, work alone and in packs. The same is true of human organizations: they are healthy and they survive when they are diverse and differentiated, capable of many responses; they become brittle and unadaptable and prey to any changing conditions when they are uniform and specialized. It is when an individual is able to take many jobs, learn many skills, live many roles, that growth and fullness of character inhabit the soul: it is when a society complexifies and mixes, when it develops the multiplicity of ways of caring for itself, that it becomes textured and enriched (p. 403).

Many others have argued that individual practices and capacities are powerfully assisted by developing and embedding dynamic organisational capabilities: structures (Tushman & O’Reilly 1996), cultures (Gibson & Birkinshaw 2004), learning processes (Cohen & Levinthal 1990), systems, routines and skills that make it easier for collectives, as well as individuals, to engage productively with paradox.

Earles and Lynn’s (2012) notion of transformative collaboration, which was introduced in Chapter 2, arguably takes this line of thinking to another level. Their principles and logics of transformational capability have already been described. Its informing philosophies include multiple and diverse forms of
organisation (Urry 2004), integral theory and spiral dynamics. Cacioppe (2004, p. 28) captures beautifully the essentially paradoxical nature of transformation that is at the heart of integral theory: ‘an increasing capacity for integrative awareness and behavioural complexity which leads to both increased autonomy and communality’. Such transformation occurs through ‘differentiation, identification and integration of self toward higher levels of self-awareness and increasingly more complex organisation’ (Cacioppe 2000, p. 114), an idea that binds together the dynamics of individual, organisation and system.

As Earles and Lynn (2005) put it, transformative collaboration relies on the personal growth of individuals, change process and organising. It involves radical change in how people think and behave at work, challenges fundamental assumptions as to how the organisation functions and relates to its environment and function, and develops the ability of the organisation—and indeed the system—to redesign and transform itself.

In the not-for-profit sector specifically, transformational collaboration is about engaging ‘communities of interest in new spaces of organising, through nebulous collaborative action around multiple (and diverse) issues and for multiple (and sometimes non-consensual) goals’ (Earles & Lynn 2012, p. 156). It involves organising through both traditional and hybrid forms, but it is not instrumental collaboration that involves a dominant partner who co-opts others with the lure of doing more with less. Rather, community, government and private sector players all move into a new communal space, which is not owned or dominated or regulated by anyone, and in which they turn up, and sign up at their own level of buy-in.

At the level of the organisation, Smith and Lewis (2011) have also argued that the development of dynamic organisational and individual capabilities is inextricably bound together. They propose the deliberate organisational strategy of pursuing what they call dynamic equilibrium: purposeful iterations between alternatives so that over time simultaneous attention is paid to all of them. The strategies constructed to engage with paradox involve both acceptance and resolution, and are purposefully iterative, interweaving and complementing one another.
Strategies developed to do this explicitly accept that tensions can and must coexist, and reflect an organisational comfort with tension that enables and supports more complex organisation strategies to engage with paradox. Managers at every level can then recognise that any choices are temporary and likely to change in the future, because dualities are essential to long-term success (Smith & Lewis 2011, p. 392). A dynamic strategy might involve inconsistent interventions over time and at the same time. Organisational strategies can also involve both temporal and spatial separation of tensions, across different organisational units and different time frames. Taking the longer term view, or situating decisions in the long term, can reduce resentment over the allocation of resources, by reframing resources as abundant rather than limited (Peach & Dugger 2006), and seeing current conditions as temporary staging posts in a longer journey.

They argue that choices made in the short term take on a different sense when framed by the longer view:

These short-term allocations of time allow for long-term engagement with both opposing forces. Similarly, firms with strategic commitments to the financial bottom-line and to a broader social mission may alternate between focusing subunits on different purposes and seeking synergistic opportunities that further both purposes (Smith & Lewis 2011, p. 393).

For example, they tap into literature that explores the way organisations can go about being both innovative and disciplined. Gibson and Birkinshaw’s (2004) exploration of organisational ambidexterity is a case in point, describing how organisations can pursue two disparate things at the same time, achieving ‘alignment in its current operations while also adapting effectively to changing environmental demands’ (p. 210). This might involve creating separate business ventures to pursue innovative, entrepreneurial activities that can be pursued without distraction from established priorities. This approach was actually described in the commentaries of CEOs as a strategy in use.

This aspect of Smith and Lewis’s (2011) work again challenges the traditional and dominant focus in business strategy on linear and internally consistent
logic, and communication practices that smooth out or deny the contradictory experiences of organisational actors. It also challenges notions that codify ‘one best way’ to do things and singular benchmark practices; along with models of change management that focus exclusively on the risk management of particular episodes or events. A dynamic paradox perspective demands sense-making and decision-making that is both continuous and episodic in its focus, particular and integrative, micro and macro, and above all iterative.

Their remarks about organisational boundaries highlight other features of dynamic strategy:

Organisations could once justify bifurcating social and financial to either for-profit and not-for-profit entities … Yet as globalisation, technology, and expansion increase social ills, human rights, violations, pollution, climate change, and so forth, for-profit organisations are increasingly attending to social as well as financial outcomes … At the same time, population growth mixed with financial crises forces not-for-profits, including hospitals, universities, social service institutions, and so on, to make difficult decisions based on the bottom line … In addition, rising numbers of ‘hybrid’ organisations are emerging that explicitly seek to achieve both profit and social goals … These multiple bottom lines create paradoxical demands on organisations’ strategy (Smith & Lewis 2011, p. 396).

Success in devising, implementing and sustaining dynamic strategy demands not just management but leadership, not just structure but agency. The leadership required is of a high order, requiring the many layers of work described in this section, and also requiring sustained effort. As Smith and Lewis (2011) point out, virtuous cycles reinforce underlying tensions, just as vicious ones do, and achieving the benefits of those tensions is very difficult. The potential for vicious cycles to develop never goes away, and managing paradox is what they call a precarious business since individuals are always likely to fall back to old practices. This calls for vigilance, as individuals at every level are tempted to regress to old dualities, and simplistic either-or thinking. However, as Clegg, da Cunha and e Cunha (2002) and Denison, Hooijberg and
Quinn (1995) point out, the potential for this regression is also, paradoxically, the ground for realising the full potential of individuals and organisations.

Van Velsor (2008) has delineated the way leadership development needs to be understood in the context of organisation development. Her focus is on the development of interactive dynamics in a system, not individual development; and leadership development is a catalyst for creating connection and interdependencies across the organisation. Senior executives are catalysts for change, creating expanded social networks and, through these, increased organisational learning. They also model comfort with complexity. Interventions include action-reflection processes and action learning that supports multiple interactions and distributed intelligence, and provide support for learning as an orientation in cultures that are otherwise performance-oriented.

Woolliams and Trompenaars (2013) have designed a process of strategic reflection that embodies many of these principles, while deliberately surfacing the tensions created by change agendas. Drawing on the work of Cameron and Quinn (2011), their framework expresses the tensions created by change agendas as golden dilemmas. Their framing of these dilemmas was based on survey work and highlights the competing tensions between organisational effectiveness, staff development and learning, financial performance, external stakeholder satisfaction, and social and environmental goals.

Their process encourages people to see these not as forcing either-or choices between different priorities, or between the present and the future, but as creating opportunities for crafting an organisation’s own unique contribution to each. It specifically names tensions that might not otherwise be acknowledged or might be completely denied. Using the language of ‘on the one hand … and on the other’, they encourage people to see both sides of the equation and to talk through a process that they call reconciliation. While not originally designed for the not-for-profit sector, the intent and style of their approach is a very practical example of what could be done.
Conclusion

This thesis has used theory and practitioner commentary to try to understand how the complexities of the Australian not-for-profit sector are experienced by CEOs of charities, and what that suggests for the practice and development of leaders and organisations. An interpretative reading of interviews with 41 CEOs suggested a series of dilemmas as central to their experience of the sector. The transcripts also offer insight into the range of ways in which the CEOs try to deal with the dilemmas they face. The dilemmas discerned in the first reading of the transcripts were later reinterpreted as paradoxes, guided by the research-based and conceptually rich frameworks of Lewis (2000) and Smith and Lewis (2011).

Smith and Lewis (2011) have asked what it would mean to teach managers and leaders about paradoxes, so that they can recognise and understand them conceptually and theoretically, hold the emotional tension that surfacing them involves for themselves and others, design organisational strategies to leverage their creative potential, and effect their implementation over time to sustain organisational health and performance.

This chapter has tried to connect Smith and Lewis’s (2011) thinking with the relatively limited literature about leadership that has been characteristic of the not-for-profit sector for a long time, and the more exciting and emerging contributions of people such as Cornforth and Brown (2014) and Earles and Lynn (2012).

Practising, developing, researching and conceptualising leadership each have their own distinctive challenges, and these challenges are greatly multiplied under conditions of complexity. For those who demand empirically based best practice, both management and leadership in the not-for-profit sector face the same difficulties as attempts in other sectors to establish empirically what actually works. Drawing on the available empirical literature on organisational effectiveness in the not-for-profit sector, Herman and Renz (2008) concluded six years ago that the effectiveness of any not-for-profit organisation must be understood in comparative terms, such as size and nature of the contribution being made. Since the contributions made are various, and certainly not just
financial, the criteria used must be multi-dimensional. As a result, they concluded that the very significant differences among not-for-profit organisations make it difficult to construct common criteria for assessing effectiveness. Against this background, the available data suggested that effectiveness has sometimes been shown to be related to board effectiveness, but not in ways that could be easily or clearly understood. Similarly, effectiveness was related to a range of management practices, but not in any way that could be captured in terms of proven ‘best practice’ (Herman & Renz 2008, p. 399). Their overall reflection from reviewing the literature was that it is unlikely that there are any universally applicable best practices that can be prescribed for not-for-profit management and leadership.

In fact, one of the few characteristics of not-for-profit organisations that has been related to their effectiveness is to do with size, rather than management practice. For example, reviewing longitudinal data on human service not-for-profits in Los Angeles during and after a financial downturn there in 2002–2003, Mosley, Maronick and Katz (2012) examined the structural, managerial, and financial adjustments made to deal with funding uncertainty and to position those organisations for future success. Not surprisingly, they found that larger size gives organisations the ability to choose among different adaptive tactics and to be strategic: starting new programs, expanding their advocacy, and finding ways to earn income, rather than simply being reactive and reducing programs. However, they found that managers with more training did not respond very differently from other managers, and that organisational age and the use of performance management tools had no effect in guiding organisational responses to financial uncertainty.

These findings leave us squarely confronting paradox: how does the sector deal with the proposition that size matters and at the same time calls for nuanced and diverse organisational responses and nuanced cognitive, behavioural and emotional complexity in leaders? Even in the relatively small sample of forty-one organisations represented in this study, it is instructive to notice that seven have merged or are merging, and that one has ceased to exist (as reported in Chapter 4). Transformative collaboration between organisations (Earles & Lynn 2012) and more robust and sensitive systemic governance practices (Cornforth
& Brown 2014) offer some possibilities. However, suggestions that the
development of organisational capabilities for dealing with paradoxical
complexity is a vital counter-point to the development of paradoxical leadership,
should be taken very seriously.

This study thus suggests many possibilities for further research agendas. As
Stacey (2001) has observed, research that brings together complexity theory
and theories of leadership and leadership development will require
methodologies that draw on inductive, interpretative, discursive and reflective
perspectives. And more recently, Storey (2013) has insisted that understanding
leadership and its development in complexity terms requires a framework that
incorporates both individual and systemic levels of analysis, and has developed
a model for this purpose.

This study implicitly raises the question as to how paradoxical organisational
phenomena are to be researched. Nearly twenty years ago, Teunissen (1996)
warned that the intangible phenomena of paradoxes, with their contradictions
and anomalies, challenge research methods that depend on consistency and
linear causality. Researching paradoxes is challenging whether researchers
engage with paradoxes accidentally, trying to understand surprising findings in
their studies (O’Connor 1995), or purposefully and deliberately make paradox
the subject of their inquiry (Davis, Maranville & Obloj 1997).

At the risk of invoking Lewis (2000) one last time, she has gone to some trouble
to discuss research methods that are capable of representing, mapping and
conceptualising organisational paradoxes. Following the advice of others before
her, she suggests a focus on the ‘under noticed aspects of daily life [that] are
rich with clues to cultural meaning and processes of sustaining social
construction’ (Hatch & Ehrlich 1993, p. 521); study of the social construction of
paradoxes through paying attention to actors’ rhetoric and conversations (Hatch
& Ehrlich 1993); and approaches (such as imagery) that help researchers ‘read’
complexity (Morgan et al. 1997), by exposing conflicting messages, feelings and
perspectives. Some of the tell-tale signs of paradox in dialogue and narratives
have already been mentioned: humour, irony and thin stories.
Lewis suggests using a range of lenses that will throw contradictions between what is clear and what is confusing or muddy into sharper relief. And studying the differences in the language (words) used by different groups, at different times and in different places to describe the same thing (such as professional staff and volunteers in not-for-profit organisations). As she puts it, the key goal is to build representations—and ultimately constructs—that accommodate contradictions rather than polarising things into either-or notions. Denison, Hooijberg and Quinn’s (1995) circular representation of the contributions of leadership is a really good example of this, noted by Lewis (2011), who believes that it is important for researchers to be able to represent the vicious and virtuous cycles of paradoxical dynamics. This means mapping, over time, cycles of contradictory action and reaction. It also represents another opportunity for research in the not-for-profit sector.

While the study reported here does not offer this extended examination over time, it is hoped that its own thick descriptions and accidental findings have offered an understanding of how CEOs say they experience and engage with the challenges and complexities of not-for-profit organisations in Australia. It is also hoped that they will be of value to those who are interested in sustainable leadership practice in the sector and in the development of robust theory.
REFERENCES

ACOSS 2010, Productivity Commission Report into the Contribution of the Not-for-profit Sector ACOSS analysis, February 2010, Redfern, NSW.


Ainsworth, D. 2013. ‘Sector is 10 years behind, but not necessarily worse.’ Third Sector no.744.


Billis, DE 2010, Hybrid organizations and the third sector: Challenges for practice, theory and policy, Palgrave Macmillan, Basingstoke, UK.


References

ME Sharpe, Armonk, NY, pp. 55–78.


Cameron, KS & Quinn, RE 2011, Diagnosing and changing organizational culture: Based on the competing values framework, Jossey-Bass, San Francisco.


Carver, J 2006, Boards that make a difference: A new design for leadership in nonprofit and public organizations, Jossey-Bass, San Francisco.


DeChurch, LA, Hiller, NJ, Murase, T, Doty, D & Salas, E 2010, ‘Leadership across levels: Levels of leaders and their levels of impact’, *The Leadership Quarterly*, vol. 21, no. 6, pp. 1069–1085.


References


Denzin, NK & Lincoln, YS 2003, Strategies of qualitative inquiry, Sage, Los Angeles.


References


Flick, M, Bittman, M & Doyle, J 2002, The community’s most valuable [hidden] asset—volunteering in Australia, Department of Family and Community Services, Sydney.


Geveden, CB 2009, ‘Not-for-profit hospitals in transition: Understanding the mission and challenges of not-for-profit hospitals is key to a healthy relationship (credit risk)’, *The RMA Journal*, vol. 92, no. 1, p. 48.


Kelly, KS 1998, Effective fund-raising management, Lawrence Erlbaum, Mahwah, NJ.


Klenke, K 2008, Qualitative research in the study of leadership, Emerald Group Publishing, Bingley, UK.


Lawrence, PR, Lorsch, JW & Garrison, JS 1967, Organization and environment: Managing differentiation and integration, Division of Research, Graduate School of Business Administration, Harvard University, Boston.


Leedy, PD & Ormrod, JE 2005, Practical research: Planning and design, 8th edn, Merrill-Prentice Hall, Upper Saddle River, NJ.


References


Lyons, M 2001, Third sector: The contribution of nonprofit and cooperative enterprises in Australia, Allen & Unwin, Crows Nest, NSW.


Ma, AMJ & Osula, B 2011, ‘The Tao of complex adaptive systems (CAS)’, Chinese
Management Studies, vol. 5 no. 1, pp. 94–110.

Macmillan, R 2011, Seeing things differently? The promise of qualitative longitudinal research on the third sector, Working paper, University of Birmingham, UK.


Matsunaga, Y, Yamauchi, N & Okuyama, N 2010, ‘What determines the size of the


References


Morse, RS 2010, 'Integrative public leadership: Catalyzing collaboration to create public value', The Leadership Quarterly, vol. 21, no. 2, pp. 231–245.


References


Salamon, LM & Anheier, HK 1997, Defining the nonprofit sector: A cross-national analysis, Manchester University Press, Manchester, UK.


Salvation Army 2013, Annual report (Australia, Southern Territory), Blackburn, Victoria.


Schein, EH 1985, Organisational culture and leadership: A dynamic view, Jossey-Bass, San Francisco.


Stacey, RD 2001, Complex responsive processes in organizations: Learning and knowledge creation, Routledge, Abingdon, UK.


Storey, J 2013, Leadership in organizations, Routledge, Abingdon, UK.


Suarez, DF 2010, ‘Street credentials and management backgrounds: Careers of nonprofit executives in an evolving sector’, Nonprofit and Voluntary Sector Quarterly, vol. 39, no. 4,


Trowler, P 2012, ‘Wicked issues in situating theory in close-up research’, Higher Education
References


References


Weick, KE 1979, The social psychology of organizing, Random House New York.


Wheeler, RT 2009, ‘Nonprofit advertising: Impact of celebrity connection, involvement and gender on source credibility and intention to volunteer time or donate money’, Journal of
References


Wilcox, PJ 2006, Exposing the elephants: Creating exceptional nonprofits, Jossey-Bass, Washington, DC.


APPENDIX 1

HUMAN RESEARCH ETHICS COMMITTEE
APPLICATION FOR ETHICS APPROVAL
of a RESEARCH PROTOCOL

SECTION A: GENERAL INFORMATION

[NB This application form should not be used for research involving clinical trials or ionising radiation. See below.”]

<table>
<thead>
<tr>
<th>PROJECT FULL TITLE</th>
<th>What are the perceptions and views of CEOs of Australian NGOs as to the impact of change in the Third Sector.</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHORT TITLE</td>
<td>NGOs and Change: Leadership Perspectives</td>
</tr>
</tbody>
</table>

**APPLICANT DETAILS**

| RESPONSIBLE SWINBURNE FIRST INVESTIGATOR / SUPERVISOR (Where project is part of student research degrees or dissertations, Senior Swinburne Supervisor must still be listed as the first investigator) | Name & Title/Position: Dr Nita Cherry  
Tel No(s) 03 9214 5901  
Email NCherry@groupwise.swin.edu.au  
Fax 03 9214 5645  
Faculty / School / Centre / Institute: School of Business and Enterprise  
Swinburne Status: ☑ Swinburne Staff Member  
☑ Adjunct Staff Member  
Address for correspondence: |

Please complete as clearly as possible. (For Honours, higher degree and discrete student projects.)

| Main Student Investigator(s): Ms Rosemary Hermans  
Email rosemaryhermans@me.com  
Tel No(s) 03 9753 9315  
Student ID Number 416783X  
Fax 03 9753 9315  
Degree Being Undertaken PhD | |

List below the names of other Chief/Associate Investigators and Research Assistants (including those with access to identifiable data). (Add (copy/paste) cells as required for additional investigators/assistants. Append Student lists for class projects.)
Appendix 1

<table>
<thead>
<tr>
<th>Name &amp; Title:</th>
<th>Institutional Address:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name &amp; Title/Position:</th>
<th>Institutional Address:</th>
<th>Tel No(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Proposed Period During Which Human Research Activity Requiring Ethics Approval is Needed:</th>
<th>From</th>
<th>01</th>
<th>10</th>
<th>2009</th>
<th>to</th>
<th>29</th>
<th>06</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

[Double-click on [YES/NO ‘check box’ to select box, then enter Default Value as Checked ☑ or leaving as Not Checked ☑ ]

<table>
<thead>
<tr>
<th>TYPE OF ACTIVITY</th>
<th>Research by Staff Member</th>
<th>Supervised Postgraduate Research</th>
<th>Contract Research (Attach copy of contract)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Select as many boxes as applicable)</td>
<td></td>
<td></td>
<td>Supervised Undergraduate Research</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Supervised Class Projects:</th>
<th>No of students involved:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Subject Code &amp; Short Title:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Broad Category of Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Select one category box which best fits the application:</td>
</tr>
</tbody>
</table>

- Social/Cultural/Humanities
- Business/Management
- Psychological/Brain/Neuro-sciences
- Health/Safety
- Engineering/Science/Technology
- Other (please specify) ……………………………………………………

[** For research involving Clinical Trials or Ionising Radiation, please contact the Research Ethics Officer.]

<table>
<thead>
<tr>
<th>Official Use Only:</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUHREC</td>
</tr>
<tr>
<td>SHESC (HBS - A / B)</td>
</tr>
<tr>
<td>SHESC (SBT - A / B)</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>Notification Only</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Human Research Risk/Review Classification (Nb Checking to be consistent with published risk criteria.)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>To enable a determination as to whether prima facie your research activity is Minimal Risk and/or Low Impact, please clarify by selecting [X] any one or more boxes below as to whether your research activity involves:</td>
</tr>
</tbody>
</table>

[Double-click on [YES /NO ‘check box’ to select X by entering in Default Value as Checked ☑ or leaving as Not Checked ☑ ]

<table>
<thead>
<tr>
<th>Vulnerable participants, children or those dependent on care*</th>
<th>Indigenous Peoples* or Special Cultural/Ethnic groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>Externally funded research requiring HREC-level clearance*</td>
<td>Multi-centre/Other sites requiring HREC-level approval*</td>
</tr>
<tr>
<td>Research conducted overseas</td>
<td>Conflicts of interest or dual researcher-professional roles</td>
</tr>
<tr>
<td>Data access/use without an individual’s prior consent*</td>
<td>Data access/use subject to statutory guidelines &amp;/or reporting*</td>
</tr>
<tr>
<td>Identification of participant individuals/groups in research outcomes without full consent or there is unclear consent for this*</td>
<td></td>
</tr>
<tr>
<td>Sensitive information/issues vis-à-vis context/impact (legal*, regulatory compliance*, commercial, professional, cultural, etc)</td>
<td></td>
</tr>
<tr>
<td>Personally intrusive/confronting or quite inconvenient/embarrassing questioning or other activity</td>
<td></td>
</tr>
<tr>
<td>Physically confining/invasive techniques or significant physical contact/stimulation (TMS*, X-ray*, CT scan*, MRI*, clothing change, etc)</td>
<td></td>
</tr>
<tr>
<td>Working in hazardous environments (asbestos dust*, infectious disease*, war or civil strife*, etc)</td>
<td></td>
</tr>
<tr>
<td>Handling hazardous substances (eg, asbestos*, radioactive material*, explosives*, etc) or equipment</td>
<td></td>
</tr>
<tr>
<td>Administration of medical/herbal substances*/treatments*</td>
<td>Administration of other (non-medical) substances/treatments</td>
</tr>
</tbody>
</table>
Appendix 1

| ☐ Health/medical diagnosis*otherapy* | ☐ Non-minimal impact therapeutic or other devices*/activity* |
| ☐ Screening for healthy participant inclusion/exclusion | ☐ Medical or psychiatric assessment/conditions* |
| ☐ Serious psychological profiling, investigation or exploration | ☐ Withdrawal of treatment/services or use of placebo |
| ☐ Withdrawal/substitution of educational/professional/commercial/recreational/other programs or services | ☐ Limited or non-disclosure of research information/procedures |
| ☐ Deception or covert observation | ☐ Human research activity commenced without clearance |
| ☐ Participant recruitment/selection via third party | ☐ Research placing researchers/assistants at risk |
| ☐ Participation incentives, prizes or significant payments | ☐ |
References


Appendix 1

A2  **WHAT - BRIEF DESCRIPTION OF PROJECT**

*In plain English*

This research will use qualitative methodology to explore the challenges and opportunities perceived by CEOs in at least thirty NGOs in the social services sector in Australia. This thesis will highlight, through the narratives of CEOs, the degree to which stakeholder relationships, accountability and expectations is leading to change in the sector. The narrative methodology is used to elicit stories and observations in order to improve the current body of knowledge in this area and provide models of best practice.

A3  **HOW - PROCEDURES**

Please detail clearly and sufficiently the proposed research/statistical method(s), procedures and instruments to be used in the project, including all screening and research ‘procedures’ to which the participants will be subjected, and asterisk those which may have adverse consequences. Please include as appendices all screening instruments, questionnaires, interview protocols etc (at least in draft form if not finalised).

The study will commence with a literature review of the relevant material on stakeholder relationships, accountability and contemporary business models on the NGO sector. The best available knowledge in an Australian context will be sought but where this is lacking, a global view will be sought or material pertinent in for-profit models. The literature review will also seek to highlight how valuable the NGO sector (now often referred to as the Third Sector) is to the Australian economy and society and why it is therefore important to understand the organisational practices in light of contemporary practices. This would include an historical overview of the NGO sector with a specific focus on dilemmas, opportunities and oppositions over time. Leadership, particularly that of the CEO, will also be reviewed.

This research will use qualitative methodology to explore the experiences and perceptions of CEOs in at least thirty NGOs in Australia. The NGOs may or may not be religious. The study sample group must meet all of the following criteria:

- Australian NGO that undertakes social and community services
- not be an education institute (ie. Primary and high schools) or hospital or sporting organisations
- gain at least one quarter of funding from government sources
- have an annual turnover of at least five hundred thousand dollars

Interviews will be conducted on an one-to-one basis and CEOs will be formally interviewed in an in-depth, semi-structured interview for approximately one hour. Participation in the interviews is voluntary and the CEOs themselves are expected to be able to provide consent to participate on their own behalf. If needed, participants will be invited to participate in a second interview if either the interviewer or interviewee feels that vital narrative was missed in the first interview. The CEO can withdraw his or her participation in the interview(s) at any point in the process.

The CEO of the NGO will be sent an introductory letter asking for permission to be interviewed. See Appendix One. Interviews will be tape recorded so that note-taking is not a distraction. No narrative will be attributed to any specific CEO or organisation. In order to preserve anonymity, the data will be reported using codes or fictional names of both the CEO and the NGO they work for.

If you feel that it is necessary to include further material, please append.
A4  DESCRIBE ANY RISK THAT MAY ARISE TO THE PARTICIPANT / DONOR?

Risk to participants (and to researchers) can be real but does not need to be physical. Risk includes such as self esteem, regret, embarrassment, civil or criminal liability, disease, physical harm, loss of employment or professional standing, etc. Please consider such possibilities carefully. Some research activities may put the participant at risk through what is being done or simply through their participation.

Please describe the risk you perceive and the protective measures to be taken.

The public put trust in the NGO sector. The thesis may portray some aspects of the third sector negatively, which could diminish the reputation of the sector. Those interviewed may feel uncomfortable about sharing negative aspects of the organisation. They would need to be assured that their comments and the organisation would remain anonymous. Those interviewed should not suffer any physical, psychological, legal, political or economic harm as their confidentiality is assured and their anonymity will not be compromised.

A schedule of questions is in Appendix Four. As the interviews progress, such is the nature of narrative that some additional questions may emerge. However, as those interviewed can decline to answer any questions, it is expected that no risks to subjects occur and that the assurance of confidentiality in their answers reduces possible concerns about their disclosures. The information sheet which will be sent to those who are interviewed, will indicate how participants will be able to contact the researcher for further details or how to withdraw from the study.

A5  DESCRIBE ANY RISK THAT MAY ARISE TO THE RESEARCHER / ADMINISTRATOR?

Some research activities may put the researcher at risk through what is being done or simply through their participation.

Please describe the risk you perceive and the protective measures to be taken.

Any negative experience with a specific NGO could lead to unfavourable recommendations for the researcher for future opportunities in a sector that she has and hopes to work in again and it is a reminder to always behave and interact in a professional and courteous manner.

As it is expected that most, if not all, of the interviews will be undertaken in Australia at the head office of the NGO or in a public place with the CEO, then there is little need to consider researcher safety. However, for any time the researcher is researching and interviewing alone, then the researcher will provide their supervisor with an email of the details where she will be going.

A6  WHAT BENEFITS ARE ANTICIPATED FROM THE PROJECT

Ethical principles would require that benefits flowed from the activities - but please avoid grandiose claims.

(a) To the Participant (what and how so)

Participants may gain some intellectual stimulation and find it helpful to talk through their perceptions, opportunities, concerns and challenges of the organisation they work for and the Third Sector in general. The interview may highlight areas that NGOs can improve in or positive attributes of the organisation. The possible insight gained may be at an individual or organisational level.

The organisation and participants are able to see a copy of the thesis on completion.

(b) More generally (to society, profession, knowledge, understanding, etc, and how so.)

Social change is occurring across the globe due to economies and societies transforming. The Third Sectors role in this has significantly advanced and diversified. This thesis will highlight the degree to which change has impacted the Third Sector and civil society. It is envisioned that the publication of the thesis and any findings in journal articles will assist readers to improve their understanding of the Third Sector as well as the part that stakeholders play in shaping charitable organisations.
A7  POTENTIAL PROBLEMS

From time to time in the course of a research project important information, such as an individual found to be at risk, or entirely unforeseen events may come to pass. What procedures are in place to handle unexpected or particularly significant personal or other information that may come to light through the project, e.g., unknown medical/psychiatric condition, a particularly distressed participant, civil or criminal liability, etc.

The researcher intends to obtain permission from at least thirty NGOs in Australia that specialise in social services, with at least half a million dollars in turnover and gain at least one quarter of its funding from the Australian government. Given the large numbers of NGOs in Australia that meet this criteria, it is expected that at least thirty NGOs will be attainable but in the event that unforeseen circumstances hamper the research, less than thirty but more than ten will still enable the research to be credible. If participants in the interviews become distressed, they will be referred to where they are able to receive counselling assistance under the guidance of the primary supervisor of this research who has much experience as a former practising psychologist.

A8  PROFESSIONAL/ETHICAL ABILITY & TRAINING

(Researchers/Students/Assistants)

NS 1.15 Research must be conducted or supervised only by persons or teams with experience, qualifications and competence appropriate to the research … using (appropriate) facilities … (and with appropriate skills and resources for dealing with any contingencies…

(a) Sufficiently detail what investigators/assistants will do in this project and their expertise/competence to do so.

The researchers will undertake all interviews, data collection, data storage, etc. There will be no other research assistants. The supervisor (who has over 25 years experience as a researcher and educator) will approve all interview questions and provide training in interviewing techniques and provide advice to the researcher where necessary so that the research is conducted professionally and ethically at all times. The researcher will also read some of the literature around research techniques such as interviewing methods. Any relevant courses that the Swinburne Research department offer will be utilised where possible.

(b) Sufficiently detail any further training/qualifications required for investigators/assistants to carry out the project.

There are no specific training/qualifications other than those mentioned above that are specifically needed.

A9  FUTURE USE OF DATA

Will any of these data be used by yourself, your students or others for any purpose other than for this project as described in the protocol? If so please describe.

Other than the original purpose of this research, the de-identified and aggregated data may be used to develop conference papers and journal articles. There will be no other uses of the sample and data and individual research subjects and groups will always remain private and confidential and the use of the data will not go beyond the scope of the participant’s original consent. If anything arises that is beyond the spirit of the original informed consent, then ethics application will be re-submitted and re-consenting will be undertaken.

A10  EXTERNAL INVOLVEMENT

Is a body external to Swinburne involved in initiation or support of the project?

☐ Yes Name of body/organisation.
Appendix 1

If an external body is associated with the project you must provide the HREC with detail of the arrangements, including details of any funding or other resources being provided. A copy of relevant pages from the contractual arrangements should be attached.

☐ No

A11 EXTERNAL APPROVALS

Projects involving other organisations or entities may require approval from other institutions or their ethics committees, etc. for such things as access to prospective participants, contact lists, data, facilities, etc. A copy of such approvals may be required to be provided to the HREC at the time of application or be made available as soon as possible. In which case, the project may not commence, until such evidence is provided.

Please indicate, as appropriate, if formal clearance/permission has been obtained or sought:

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional</td>
<td>Yes</td>
<td>Documentation Attached or to follow</td>
</tr>
<tr>
<td>Next of Kin (for special groups)</td>
<td>Yes</td>
<td>Documentation Attached or to follow</td>
</tr>
</tbody>
</table>

(estimate when likely to be obtained)

☐ No (please explain)

Once the ethics application has been approved, the researcher will gain approval from NGOs that meets the criteria to undertake the research at the organisation. As the CEO is a senior member of the organisation, he or she is deemed capable of self-authorising for the purposes of this study.

A12 RESEARCHER / SPONSOR RELATIONSHIP

Is there any relationship or association between the sponsor and any of the researchers listed in Section A of this form, for example are any of the researchers directors, officers, employees, shareholders or promoters of the sponsor or do they receive any personal benefits from the sponsor under any other contracts or arrangements?

☐ No

☐ Yes (please explain the relationship(s), including how a vested or a conflict of interest situation does not arise. )

SECTION B: ETHICAL ISSUES OVERVIEW

B ETHICAL ISSUES

(Double-click on YES/NO ‘check box’ to select box, then enter Default Value as Checked ☑ or leaving as Not Checked ☐ )

(a) Non-/Limited Disclosure or Deception: Is any detail in relation to research purposes, methods or questions being withheld from participants? Or will deception of any kind be involved? Or any covert/undeclared observation? (Refer National Statement Chap 17)

☐ YES ☐ NO

(b) Does the data collection process involve access to confidential personal data (including access to data provided for a purpose other that this particular research project) without the prior consent of subjects?

☐ YES ☐ NO

(c) Will participants have pictures taken of them, e.g., photographs, video recordings?

☐ YES ☐ NO

If "YES", please explain how you intend to retain confidentiality and ultimately dispose of the material.

(d) If interviews are to be conducted, will they be record by electronic device?

☐ YES ☐ NO

If "Yes", please explain how you intend to retain confidentiality and ultimately dispose of the material.
Appendix 1

(e) Will participants be asked to perform any acts or make statements which might compromise them, diminish self esteem or cause them embarrassment or regret (minimal, moderate or significant)?

(f) Might any aspect of your study reasonably be expected to place the participant at risk of criminal or civil liability (not just immediately or directly)?

(g) Might any aspect of your study reasonably be expected to place the participant at risk of damage to their professional/social/cultural/financial standing or employability?

(h) Will the research involve access to data banks subject to privacy legislation?*

(i) Will participants come into contact with any equipment which uses an electrical supply in any form e.g., audiometer, biofeedback, electrical stimulation, magnetic stimulation, etc.? If “YES”, please outline below what safety precautions will be followed.

(j) Will any treatment be used with potentially unpleasant or harmful side effects?

(k) Does the research involve any stimuli, tasks, investigations or procedures which may be experienced by participants as stressful, noxious, aversive or unpleasant during or after the research procedures?

(l) Will the research involve the use of placebo control conditions or the withholding/substitution of treatment, programs or services (health, educational, commercial, other)?

(m) Will any samples of body fluid or body tissue be required specifically for the research which would not be required in the case of ordinary treatment?

(n) Will participants be fingerprinted or DNA “fingerprinted”?

(o) Are there in your opinion any other ethical issues involved in the research?

NOTE: If the answer to any of the above questions is “yes”, please explain and justify below in sufficient clear detail. (The box below will expand to fit your response.)

D – Interviews may be recorded for the purpose of accuracy in typing up the transcripts. In accordance with Swinburne University’s Policy and Procedure on Conduct of Research, “data must be recorded in a durable and appropriately referenced form…and comply with relevant privacy protocols”. The transcripts of the interviews will be held as sound files on the researcher’s password protected computer for a minimum of five years. If the university chooses, the Faculty/Unit in which the PhD is undertaken, may choose to hold the original data. The data will be referenced in a way that keeps the identification of the participants confidential. Once the thesis is completed, at least five years has passed and all publication and discussion relating to the project has ceased, all recordings will be deleted.

SECTION C: PARTICIPANT DETAILS

C1 PARTICIPANT DETAILS

The composition of the participant group may, in some circumstances, distort and invalidate an outcome, and risks may arise through the composition of the participant group.

How many individual participants will be involved? (Number/number ranges for which approval is sought)

<table>
<thead>
<tr>
<th>Males: Min of 5</th>
<th>Females: Min of 5</th>
<th>Total participants</th>
<th>Approx 30</th>
</tr>
</thead>
</table>

Over what range of ages?

From (youngest): 20 To (Oldest): 80

If there is a gender or age imbalance in the number of participants please explain why.

Until approval for the research is gained via both ethics and from NGOs, it is unknown what the gender of those that accept the invitation to participate in the research will be. As less women are appointed as CEOs, the target population of this research is likely to
be markedly male in bias but this should not unduly bias the data.

C2 RECRUITMENT

How will participants be recruited/selected?
Please outline the process in sufficient detail how this is to occur.
Note: Where participants are obtained from or through schools, hospitals, prisons or other institutions, appropriate institutional or other authority will probably be needed. If soliciting for participants by advertisement or poster please attach proposed copies or text.
(See also Project Information Consent Statements and Signed Consent Forms info at the end of this application form.)

Names of all potential participants are easily found on NGO websites in the public domain. The Victorian peak organisation of the non-government social and community services sector, VCOSS, has a long list of member organizations that will be utilised. There are similar peak bodies in all Australian states that also have lists that may be used if needed. Once potential NGOs have been found using Internet technologies, all NGOs sought to be studied will be sent an introductory letter to the CEO of the organisation. See Appendix One.

C3 PRE-EXISTING CONDITIONS

In some situations an underlying medical or other significant condition of a participant may result in an otherwise relatively innocuous situation causing excessive stress and exacerbate the condition. Researchers must, therefore, be alert to such situations and be able to address the resulting issues.
Do participants have any medical or other significant condition of which you are aware, eg. diabetes, asthma, depression, epilepsy?
What steps are in place to handle any resulting problems (you may need to correlate with A3, A4 and A7 of this form)?

There are no known pre-existing conditions in participants.

C4 DISCLOSURE AND INFORMED CONSENT

How will participants be informed about the project in order to give valid consent:
- Consent Information Statement(s)/Letter(s) and Signed Consent Form(s) will be used. A copy must be attached to your application. A guide to consent instruments is given at the end of this form.
- Consent Information Statement(s)/Letter(s) and consent implied by return of anonymous questionnaire
- Verbal advice (Please explain how and why)
- Other (Please explain how and why)

Potential CEOs will be contacted to invite participation. A letter will then be sent to confirm this invitation along with a consent form – the agreement of participation. As the interview commences, the participants’ rights and the process will be explained again. See Appendix One and Appendix Three for the letter and Consent Form.

Copies of appropriate consent instruments must be attached to your application. Please consult the Guide to Human Research Informed Consent Instruments in carefully preparing informed consent instruments.

C5 COMPENSATION

Consent to participate must be freely given and not induced through the level of reward, perceived reward, or power relationships
Provide details of any financial or other reward or inducement is being offered to subjects for participation. Indicate the source of the funds.

There will be no compensation for the interviews.

C6 RELATIONSHIP TO INVESTIGATOR(S)

Free consent may be difficult to ensure if the participant is dependent upon the investigator for employment, assessments etc
Some relationships cause special ethical issues to arise
Are participants linked with the investigator through some particular relationship - eg. employees ultimately responsible to or superiors of the investigator, students of investigator, family members, friends etc.
There are currently no known pre-existing relationships with any CEOs of Australian NGOs but as the researcher once worked for a NGO, it is foreseeable that some CEOs may be known to the researcher through connections with her previous employment. It is also possible that the researcher may do work for some of the NGOs in the future but it is not expected that any difficulties will arise for either party, should this be the case.

C7 INVolVEMENT OF SPECIAL GROUPS

Particular issues of consent may arise where special groups of participants are to be involved. There may be, for example, a need to obtain informed consent from persons other than the direct participant. Examples of such special groups include special cultural groups - eg. indigenous Australians; children and young persons (Guidelines section 4.2); groups with special circumstances - eg. persons with an intellectual or mental impairment (Guidelines s. 5)

Please identify and describe the nature of the groups and procedures used to obtain permission.

Note. Persons proposing research projects involving Indigenous Australians should consult with the relevant University manager of indigenous programs prior to finalising definition of the project.

No involvement in special groups will be sought.

C8 PRIVACY

The University is subject to the Victorian Information Privacy and Health Records Acts as well as the Commonwealth Privacy Act and, in particular, the Information/Health/National Privacy principles (IPPs/HPPs/NPPs) set out therein and is required to report annually on projects which relate to or utilise particular records.

Does the research involves access to data which was collected by an organisation for its own purposes (ie. not specifically collected for this project) such as student records, other data banks, human pathology or diagnostic specimens provided by an institution/s?

Any additional information to be sought on specific NGOs is available publically in annual reports and in the public domain. All other information will be verbal narrative gained during interviews.

C9 LOCATION OF STUDY

Please indicate where the research will be carried out. If the research will not be on University premises permission of owner / occupier may be required. If so, please indicate what authority or permission may be required and how will be obtained. NB: Where required, please attach to this application evidence of authority obtained or provide the Secretary, HREC as soon as practicable.

Interviews will be carried out at the place of greatest convenience to the researcher and interviewee at either:-
- the specific organisation the CEO works
- a place that is suitable to the person being interviewed
  Eg. A meeting room at Swinburne University.

The CEO would self-authorise that access and agree to permit access which would be signed in the agreement to participate in the study.

SECTION D: DATA & PUBLICATION ARRANGEMENTS (Nb Section D Revised Aug 2007)

PLEASE CONSIDER CAREFULLY YOUR RESPONSES TO THIS SECTION. YOU NEED TO BE CLEAR AS TO WHAT IS OCCURRING WITH RESPECT TO DATA COLLECTION, RETENTION and DISPOSAL.

(In your responses, you should demonstrate familiarity with National Statement requirements for confidentiality, relevant Privacy Principles and Swinburne’s Policy on the Conduct of Research, eg, Sect 4, see URL:

D1 DATA COLLECTION/RECORDING

Please note that, with any information or data collected/retained, if any individual can reasonably be identified, the information can be deemed “personal information” or “health information” under National/Health/Information Privacy Principles (NPPs/HPPs/IPPs).

(a) How or in what form will data be collected/recorded?

(eg, notes; verbatim, audio and/or video recordings; transcriptions of recordings; recorded or signed consents; etc)

Interviews will be recorded on audio files. These recordings will be typed up. All CEOs and the NGO they work for will be given fictional identities only known to the researcher and the supervisor. In accordance with the Swinburne University Policy on Conduct of Research, all data will be held for at least five years (assessed only by the PhD candidate and thesis supervisor for analysis) and only after that, when no further discussion or publications of the data has occurred, will it be destroyed.

Permission will be sought to audio record the interviews.

(b) As regards any individual, in relation to any data collection or retention, you need to acknowledge either or both of the following:

- An Individual can be identified OR is Potentially Identifiable / Re-Identifiable
  - (An individual can be identified at some point or by the very nature of the data collected/retained: at time of an interview, by signed consent form, identified or labelled voice or image recording, pen-and-paper questionnaire, on-line survey instruments, etc.
  - Whilst data may not have (explicit) identifiers, an individual’s identity can still reasonably be worked out.
  - Or data may have (explicit) identifiers removed and replaced by codes that permit matching of an individual with the data collected/retained, in which case it is possible to identify or re-identify the person to whom the data relates.)

- An Individual is Non- or Un-identifiable
  - (Data collected/retained anonymously and with no reasonable possibility of being identified.)

Your acknowledgement may require further explanation or clarification; if so, please include in the following box.

The exact identity of the interviewee or the organisation will not be identified, as fictitious names will be used. However, the identities are partly identifiable in that they are CEOs from social service NGOs in Australia but given the sheer number of these in Australia, it is expected that it would be too difficult to work out the exact identities of those interviewed. Only the researcher and the supervisors will know the true identity of any individual or NGO that will be reported on as the copies of the voice recordings, mailing details and the signed consent forms will be retained.

D2 DATA SECURITY

Please note that “data must be held for sufficient time to allow reference. For data that is published this may be for as long as interest and discussion persists following publication. It is recommended that the minimum period for retention is at least 5 years from the date of publication but for specific types of research, such as clinical research, 15 years (or more) may be more appropriate.” (Sect 4.3 of Swinburne’s Policy on the Conduct of Research)

Please indicate how data (all types of data, including, eg, signed consent forms) will be securely retained (eg, electronic form in password-protected disk drive, locked filing cabinet, etc) and where? With more than one type of data, will the types be separately stored?

In your explanation, you will need to make clear how due confidentiality and/or anonymity will be maintained.

(a) During the study

Electronic form will be kept in password-protected disk-drive and hard copies of transcripts and notes will be kept in locked filing cabinets which will be separately stored at Swinburne University for a period of 5 years and then destroyed. Confidentiality will be maintained at all times through careful recording and reporting of research results.
Anonymity will be protected and no comments will be attributed to any individual. All participants will be fictionalised.

(b) Following completion of study

As above - Electronic form and transcripts/notes (kept on disk) with password protected files and hard copies will be kept in a locked filing cabinet. All files will be deleted and hard copies shredded and destroyed after this time. Confidentiality and anonymity will be maintained and participants will be fictionalised.

D3 PUBLICATION/OUTPUT (Nb Section D3 Revised Aug 2007)

Please explain in sufficient detail:

(a) What, if any, publication (conference, news media, academic journal, other journal, etc) is envisaged following on or in relation to this project, both in terms of data proper and/or analysis of data?

As the researcher expects to be employed in the Third Sector in the future, it is envisioned that she will continue to attend and present at conferences specific to this field as well as publish papers and articles around themes of the NGO sector both during and after the completion of the study. Although no individual or charity will be identifiable as the identities will be concealed, all participants will be made aware of that fact at point of giving written consent to participate.

(b) Will participants be informed about any envisaged research publication/outcome? (This information is normally to be included in the information given prior to obtaining informed consent.)

The organisation and participants will be informed in the initial consent letter that data from this research may be used for future papers, articles, conferences, etc.

(c) Would any participants be able to be identified through the publication of data proper or research findings? If so, explain why this is necessary.

(a) No
(b)
(c)

D4 INDIGENOUS ISSUES

Storage arrangements for data relating to research into Indigenous matters must be determined in compliance with the Policy on the Conduct of Research after consultation with the communities involved.

What consultation has taken place and what arrangements have been made.

Not Applicable.

D5 OTHER ISSUES (Nb Section D5 Revised Aug 2007)

Are there any other issue relating to data collection, retention, use or disclosure which the ethics committee should be made aware of and, if so, please explain how you are to deal with this. (Eg, Research outcomes unduly impacting on any individual or group not directly participating, etc.)

No.

SECTION E: SUBSTANCES & CLINICAL ISSUES

☒ No matters in this section are applicable to the study or
## E1 Administration of Substances/Agents

<table>
<thead>
<tr>
<th>Name of substance(s)</th>
<th>Dosage per administration</th>
<th>Frequency of administration</th>
<th>Total amounts to be administered</th>
</tr>
</thead>
</table>

### Anticipated effects:

**NOTE:** If the research involves administration of foreign substances or invasive procedures, please attach a statement accepting responsibility for those procedures by a medical or paramedical practitioner with indemnity insurance.

**STATEMENT ATTACHED**

## E2 Body Fluids or Tissue

<table>
<thead>
<tr>
<th>What fluids or tissue? How will samples be obtained?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency and volume</td>
</tr>
</tbody>
</table>

### How are samples to be stored?

### How will samples be disposed of?

### Who will take the samples?

### What are their qualifications for doing so?

### Do participants carry, as far as you know, the Hepatitis B or HIV virus? If so how will the risks be handled?

### Do participants carry, as far as you know, any other contagious diseases or viruses? If so how will the risks be handled?

## SECTION F Declarations for Signature

1. With respect to this project, I / We, the undersigned Investigator(s)/Assistant(s) agree:

   - To undertake human research activity or handle data confidentially in accordance with Swinburne requirements, including any standard or special ethics clearance conditions, under the proper direction of the responsible Swinburne manager and/or principal Swinburne (or other) researcher/supervisor.
**Appendix 1**

<table>
<thead>
<tr>
<th>NAME: (block letters)</th>
<th>SIGNATURE:</th>
<th>DATE:</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROSEMARY HERMANS</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

All listed applicants must sign. The Chief Investigator/Supervisor is also responsible for personnel subsequently joining the project. Expand this table or duplicate this page as required. NB This information is subject to Swinburne or external audit.

**** Please note that ****

PROJECTS MUST NOT COMMENCE WITHOUT PRIOR WRITTEN APPROVAL from the Human Research Ethics Committee (SUHREC) or its appropriate Subcommittee (SHESC)

### 2. Declaration of Compliance by Chief Investigator(s)/Student Supervisor(s).

I declare that the above project has been developed and will be conducted in accordance with relevant Swinburne standards, policies and codes of practice, including any standard or special conditions for on-going ethics clearance. I further declare that all listed and subsequently appointed researchers or assistants involved in this project will be made aware of the conditions of ethics approval as communicated to me, including approved documentation and procedures.

Signature & Date: ........................................................................................................

Name of Signatory & Position: DR NITA CHERRY, Professor of Leadership

(Optional) Form checked by a Research & Ethics Advisor (REA)? Yes □ No □ REA Initials & Date: .........................

### 3. Endorsement of Head of Academic Unit (or Delegate) or Above.

I declare that this project: has been developed and will be conducted in accordance with relevant Swinburne standards, policies and codes of practice; and has research merit, adequate resourcing and appropriate leadership/supervision.

Signature & Date: ........................................................................................................

Name of Signatory & Position: ........................................................................................................

(Please note: This endorsement must be given by an authorised official who is not also a chief or co-investigator of the project and who is not also the supervisor of a student investigator with an interest in the project.)
Appendix 2

Dear ____________________

I am writing to request your organisation’s participation in my current research project on Australian nongovernmental organisations (NGOs).

My name is Rosemary Hermans and I am currently a PhD candidate at Swinburne University of Technology in Melbourne. My previous experience includes working in a non-profit organisation for several years and completing a Graduate Diploma of Development Studies and a Master of International and Community Development.

I am preparing for fieldwork related to my research topic, which is to highlight the challenges and opportunities perceived by CEOs of NGOs in Australia in adapting to the change in the Third Sector. NGOs foster the development of social cohesion and capital, providing much need social services and alleviating societal problems such as poverty. The critical role that NGOs play in providing essential community services highlights the magnitude of understanding the sector that is under enormous pressures and change.

I have completed an extensive literature review of the NGO sector in an Australian context as well as broadly studying the global literature when the information available locally has been sparse. I see the enormous importance of this sector to both the Australian economy and society and the importance of understanding organisational practices in light of contemporary practices. As NGOs impact policies, advance initiatives and provide vital humanitarian assistance in a new ways, they must also meet stakeholders’ expectations. This provides some interesting challenges and opportunities. Studying the impact to the modus operandi of NGOs provides useful insight to the sector as a whole.

I would like to ask permission to interview you on the pressure and possibilities of stakeholder relationships and the impact of adaptive changes to both your organisation and the Third Sector in general. It is expected that only one interview be necessary but that a second interview or follow up call take place if necessitated. In a dialogue with at least thirty CEOs from social service related NGOs, I am keep to tell the narrative of Australian NGOs and any insights and lessons that can be gained from embellishing this fascinating topic under strenuous analysis. I am keen to genuinely help NGOs effectively engage with their stakeholders in light of the changing environment. Once I am finished
the PhD, I am hoping the findings benefit your NGO and all NGOs Australia wide and beyond.

I have ethics clearance for my planned interviews and have identified a sample of social services NGOs in Australia whose CEO I am eager to listen to. The thesis will provide a rich narrative about charitable organisations within Australia, where there is a current gap in the literature.

I can assure you of confidentiality, as my research design does not disclose identities of persons or NGOs studied. Apart from acknowledgement of social services NGOs as contributors to the study, if I should need to cite any example or quotation in the thesis, identity of both individuals and the organisation will be fictionalised always, including my own retained notes and material. I am interested in the narrative around change and choices in the sector more than specific cases. I hope this will assure you of a degree of confidentiality and that you can rest assured about talking frankly and honestly.

If you are therefore willing to allow me to interviewed you and to participate in this study, I would be grateful if you could call me on my mobile 0466 432 800, or email me at rosemaryhermans@me.com to arrange an interview time in the coming weeks. I anticipate we would need approximately 1 hour. I would need to record the interview to avoid the need for extensive note taking during the interview and would, of course, need written consent to participate. The consent form is attached, and you will note that it also authorises me to attend at your premises for interviews, if that is the most convenient location. I would appreciate this being signed by you and returning it to me before our first interview. You would be free to withdraw from the study at any time, but I hope the study would be sufficiently interesting and useful that this does not arise.

If you have any questions regarding this study, please call either myself, or my thesis supervisor, Professor Nita Cherry on 03 9214 5901 or ncherry@swin.edu.au at the Faculty of Business and Enterprise at Swinburne University. Additionally, should you have any concerns or complaints about the study, either before, during or after any part of the study, you should contact: -

The Chair
Human Research Ethics Committee
Swinburne Research (H68)
Swinburne University of Technology
PO Box 218
Hawthorn VIC 3122
Tel (03) 9214 8468
resethics@swin.edu.au

I look forward to meeting with you and hope you will agree to participate in this study.

Yours sincerely

Rosemary Hermans
NGOs and Change: Leadership perspectives

Rosemary Hermans

Background to this Research

Demands on CEOs of Non Government Organisations (NGOs) are numerous and they should possess a vast array of skills to cope with the duties and responsibilities required of the role. CEOs seek to maintain a viable set of relationships between the organisation and its environment through strategic management and sound decision-making practices. They have experience with their own organisation, the sector and stakeholders and such are well positioned to be able to analyse the changing face of community organisations.

Much has changed for the NGO sector, where they sometimes began in humble settings such as the cake fundraiser stand at the local church. A variety of studies highlight the role and spread of Christianity and other religions into the Australian NGO sector, particularly when governments were failing those in need (Kurti, 2005, Morris, 2006, Kinloch, 2004, Wickham, 2003, Gleeson, 2006). This is in a setting where the world is also vastly different and societies expectations have been shaped by globalisation, decolonisation, neo-liberalism and policy changes (Taylor and Warburton, 2003, Sommerfeld and Reisch, 2003, Appleton, 2003). Modernisation, industrialisation and the role of women (Sabhlok, 2007, Martin, 2004, Santry, 2005, Hayes, 2007) have also molded and expanded the sector. Increasing numbers of natural and man-made disasters, the change in poverty alleviation methods and the sheer number of issues has diversified and transformed the sector further still. In light of these vast reasons for change, organisations seek the leadership of CEOs and management to keep the heart and soul of the organisation. It is their role to question the meaning and purpose of the organisation in a time of modern business systems where depersonalisation and a decline in resources, confidence and respect is taking place in social institutions (Cavanaugh, Hanson, Hanson and Hinojoso, 2003).

NGOs provide a vast array of essential community services and contribute heavily to Australia’s economy as well as improving the quality of life of countless people, both locally and internationally. Quite often NGOs are “celebrated as the soil and seed for a new international civil society” (Hamid, Swarts and Smart, 2003, p.41) and bear the responsibility of being the sole providers of social services (Marshall and Keogh, 2004). They play many critical roles to achieve their aid and developmental goals and are a vital voice in society for negotiating on behalf of those in need.
McDonald and Marston (2001, p.2) state that “the contemporary environment in which the non-profit community sector is located is extremely turbulent, unstable and highly contested”. They further believe that the sector “is currently engaged in a furious struggle to articulate a legitimate role in the nascent regime of welfare”. Whilst NGOs experience different opportunities and pressures, it seems that in meeting the regulatory laws and guidelines of the Australian government, as well as the expectations of donors and society, much has changed in the way NGOs apply their business models and practices. They have implemented contemporary business strategy and decision-making and become a part of a market economy approach where outsourcing and contractualism are key themes. In addition to affirming and upholding efficient business practices, management are also combining these requirements with the spiritual mission and values of the NGO.

The progress and development of the organisation may be vitalised or hindered through the interplay between NGOs and stakeholders. Pressures from all sectors of the community have NGOs improving accountability and sustainability measures more than ever. The CEO and board members or government may drive rationalisation of the sector and individual organisations and these forces lead to opportunities and challenges that can introduce changes to the way NGOs operate.

Whether the governments ‘partnership’ with the Third Sector is rhetoric or reality is up for debate (Goddard, 2006). Gramber and Bassett (2005, p.2) argues that the government utilises “the third sector as a means of quelling potential political opposition by rendering these community organizations dependent on funding tied to performance and outcome measures set by (the) government”. It is likely though that any hope of successful community organisations and civil society rests with effective relationships between the mainstream institutions of power and collaboration rather than competition (Howes, Lyons and Bryant, 2004). The change that is occurring in the Australian Third Sector is an area that has received little attention from scholars. If “top charity leadership is a marriage of head and heart”, as Heidrick & Struggles (2009) believe, the pressures, complexities and connections between the organisational mission and stakeholder expectations is worthy of analysis if NGOs are to cope with new efficiencies and ideas and achieve the vision they have set out for themselves.

This research will be a qualitative methodology to explore the experiences and perceptions of CEOs in at least thirty NGOs in the social services sector in Australia. Social change is occurring across the globe due to economies and societies transforming. The Third Sectors role in this has significantly advanced and diversified. This thesis will highlight, through the narratives of CEOs, the degree to which stakeholder relationships, accountability and expectations is leading to change in
the sector. The narrative methodology is used to elicit feelings, stories and observations in order to improve the current body of knowledge in this area and provide models of best practice.

Your participation is therefore sought for interview and engagement. Your participation in this research would involve up to two interviews at intervals and offer you access to improved models that are developed from the narratives. The study will be undertaken with full confidentiality and anonymity assured. Further details are explained in the accompanying letter of invitation.
References


APPENDIX 3

AGREEMENT

NGOs and Change: Leadership perspectives

I, ………………………………………………………………………………………………., have read and understood the information in the letter sent to me by Rosemary Hermans. Any questions I have asked have been answered to my satisfaction.

I agree to participate in this activity, realising that I may withdraw at any time.

I agree to the interviews being recorded (to avoid the need for having to undertake excessive note taking during the interview), on the condition that no part of it is included in any presentation or public display.

I agree that research data collected maybe be published, presented at conferences or provided to other researches on the condition that anonymity is preserved and that the organisation and myself cannot be identified.

I give permission for the researcher, Rosemary Hermans, to have access to premises of my organisation, if suitable to myself, for the purpose of conducting the agreed interview/s.

Name of Participant:
………………………………………………………………………………………………

Signature:
………………………………………………………………………………………………

Name of Principal Investigator:  Rosemary Hermans

Signature:
………………………………………………………………………………………………

Date:
………………………………………………………………………………………………
Appendix 4

Approval by Swinburne University of Technology Ethics Committee

Date: 15 February 2010

To: Prof Nita Cherry/ Ms Rosemary Hermans, FBE

Dear Nita and Rosemary

SUHREC Project 2009/292 What are the perceptions and views of CEOs of Australian NGOs as to the impact of change in the Third Sector
Prof Nita Cherry, FBE; Ms Rosemary Hermans
Approved Duration: 15/02/2010 to 30/09/2012 [Adjusted]

I refer to the ethical review of the above project protocol undertaken on behalf of Swinburne’s Human Research Ethics Committee (SUHREC) by a SUHREC Subcommittee (SHESC4). Your responses to the review, as emailed on 27 January 2010 with attachments, were put to a Subcommittee delegate for consideration and positive feedback sent to you. I acknowledge receipt today of further clarification and intended revision to consent instruments as per the feedback. A copy of the finalised consent instruments should be forwarded to the Research Ethics Office for the record.

I am pleased to advise that, as submitted to date, the project has approval to proceed in line with standard on-going ethics clearance conditions here outlined.

- All human research activity undertaken under Swinburne auspices must conform to Swinburne and external regulatory standards, including the National Statement on Ethical Conduct in Human Research and with respect to secure data use, retention and disposal.

- The named Swinburne Chief Investigator/Supervisor remains responsible for any personnel appointed to or associated with the project being made aware of ethics clearance conditions, including research and consent procedures or instruments approved. Any change in chief investigator/.supervisor requires timely notification and SUHREC endorsement.

- The above project has been approved as submitted for ethical review by or on behalf of SUHREC. Amendments to approved procedures or instruments ordinarily require prior ethical appraisal/clearance. SUHREC must be notified immediately or as soon as possible thereafter of (a) any serious or unexpected adverse effects on participants and any redress measures; (b) proposed changes in protocols; and (c) unforeseen events which might affect continued ethical acceptability of the project.

- At a minimum, an annual report on the progress of the project is required as well as at the conclusion (or abandonment) of the project.

- A duly authorised external or internal audit of the project may be undertaken at any time.
Please contact the Research Ethics Office if you have any queries about on-going ethics clearance, citing the SUHREC project number. Chief Investigators/Supervisors and student researchers should retain a copy of this email as part of project record-keeping.

Best wishes for the project.

Yours sincerely

Keith Wilkins for
Kaye Goldenberg
Secretary, SHESC4
************************************************

Kaye Goldenberg
Administrative Officer (Research Ethics)
Swinburne Research
(Mon, Tue, ev. 2nd Thur, Fri)
Swinburne University of Technology
Level 7, Room 60W705a
60 William St. Hawthorn,
Victoria 3122 Australia
Tel: +61 3 9214 8468
Fax: +61 3 9214 5267