The Development of a Bifurcated Strategic Management Approach for Non Profit Organisations

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This paper reports on a case study of the development of a systems based approach to the strategic analysis of non-profit organisations. The supporting theory was developed from a study of general systems theory, human values theory, organisation theory, strategic management concepts and decision science.

The need for this approach stems from a fundamental difference between forprofit and nonprofit organisations. With forprofit organisations, there is a direct relationship between customer satisfaction with products and services and the revenue generated for the business. With nonprofits, there is not a direct relationship between outputs and revenue. Largely, in nonprofits, donor revenue is related to the quality of marketing for fundraising and not strongly to the quality of programmes and services to clients. Obviously, there is a nexus between achieving the mission of the organisation and the readiness for donor's to contribute, but this connection is not as significant as in forprofit organisations.

In forprofit organisations, the mission incorporates all elements of the organisation. In the core focus of revenue/profit making, it necessarily integrates the business' processes. Kingma (1997) contends that, in nonprofit organisations the mission is focused on the provision of programmes and services to needy clients. The financial resources required to fund these programmes/services need not be related to the outcomes and thus, the management of nonprofits, from a strategic planning perspective, is concerned with twin responsibilities in twin strategic sectors. Essentially, with nonprofits strategic management must focus more distinctly on two elements: firstly, the provision of programmes and services and secondly, the raising of funds. In this study, the need for two elements or strands of strategic management is called 'The Bifurcated Strategic Model'.

The impact of change and uncertainty in the external environment is different for the two aspects of strategic planning. It is suggested that environmental uncertainty has a greater influence in respect of fundraising and relatively less in the area of programmes and services delivery. This 'Variable Uncertainty Theory' indicates that, with relatively greater uncertainty with fundraising, there is an increased need for the adoption of an adaptive strategy whereas, with the programme/service aspect a more conventional strategy is required.

A research project is being carried out with a nonprofit organization to investigate these theoretical propositions. The initial step in the research was largely information gathering. To ensure all stakeholders' views were included and a thorough assessment made of knowledge,
skills and power throughout the organization, a systems approach was favoured. Further, a systems approach provides a broad number of 'tools' and techniques allowing more flexible and creative problem solving in complex and uncertain organisational situations. The study endeavours to demarcate the problem situation from a 'mess' of problems to where a model can be formulated to implement strategic decisions. Within this process, the development of methodology is dynamic; it is fashioned to correspond to the changing form of the problem therefore flexibly and creatively combining and modifying 'soft' and 'hard' methods to bring about a practical solution.

The study methodology utilises an approach based on Total Systems Intervention (TSI) (Flood & Jackson, 1991). TSI by its critical nature encourages a complementarist multi-method modus operandi which could lead to an inductive, practical, empirically founded theory of contingent strategy formulation. Thus, in the initial stages of the study the research was restricted to qualitative, soft systems methodologies in order to provide a basis upon which to support more structured and quantitative methodologies. Following the Systems of Systems Methodologies (Flood & Jackson, 1991) guidelines, the approach taken by the researcher, based on limited observation of the case study organisation, was to assume it presented the characteristics of a 'complex system problem'. Therefore, it was considered better to work initially, from the premise of greater complexity and hence to apply the techniques of Critical Systems Thinking. (Ulrich, 1983)

Boundary judgements define the borders of concern of the stakeholders. (Ulrich, 1983) Quite simply, it follows that whatever is considered by the stakeholders to be important must always have a normative element in need of careful scrutiny. A systems approach using 'boundary judgements' will produce different viewpoints and solutions to problem situations. In our research into the development of strategy in nonprofit organisations, the implications of this concept of boundary judgements are significant. They suggest, that in order to overcome the asymmetry of knowledge, skills and power within organisations there is, in fact, an inherent layer of fundamental processes which can be tapped into to ensure rational and democratic judgements. However, the concept of boundary judgements needs to be operationalised for practical application. To this end, 'Critical Systems Heuristics' has been developed into a conceptual framework of twelve basic boundary categories which represent relative a priori judgements. Before an issue can be consider in terms of relevant 'facts' and 'values', we need to determine boundary judgements about the system of concern. This means giving empirical and normative content to these twelve abstract boundary categories. A practical way of using this critical thinking concept is by means of a series of interview questions. This method offers the advantage that it serves as a step-by-step guide for systematic analysis of the knowledge and power structures in the organisation.

In line with the critical/complementarist approach, several other methodologies were utilised to develop a greater understanding of the factors influencing strategic planning in the organization. By linking systems methodologies and human values theory, an holistic organisational perspective was achieved combining all systems strata and merging individual world views within the organisation's culture and ethos. Similar epistemological linkages were made with
ORDIT (Organisational Requirements Definition for Information Technology) and OPIUM (Organisation Performance Improvement and Understanding Methodology). ORDIT provides a means of representing an organisational structure as a network of responsibility relationships within a socio-technical system. OPIUM integrates the primary strategic and operational processes across the organisation. This research is still in train, however, the work to date supports the hypothesis of the Bifurcated Strategic Model and its significance for nonprofit organizations. The investigation of a set of methodologies has led to the development of a comprehensive (and contingent) Strategic Implementation Methodology which will be further described in the paper.

References: