





# **STRATEGY FORMULATION IN COMMUNITY ORGANISATIONS**

**BY  
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# Abstract

This research is a cross sectional exploratory study. It looks at the process of formulating strategy within community organisations. The alignment of strategy and mission is of central concern. Without this alignment, government funded growth threatens to turn community organisations into agents of the state. This development would mean the loss of the mediating function they currently serve.

Community organisations are seen as more flexible than government bureaucracy and closer to the community. As such they serve as a source of innovative community services and as a means of alerting government of emerging community needs. Community organisations also offer an important opportunity for altruism which helps develop a sense of community cohesiveness.

Strategic planning has the potential to align growth with mission. This thesis asks:

1. What is the state of strategic planning in the community sector? What impedes or encourages it?
2. How do community organisations formulate successful strategy? Does the formulation of strategy serve to reinforce their sense of mission?

The first research question is investigated by using the submissions to the Industry Commission *Inquiry into Charitable organisations*. Only 27% of the organisations which made submissions mentioned that they undertook strategic planning. Those that undertook planning tended to be larger community organisations. The likelihood of undertaking strategic planning was increased if the organisation had locations in more than one state and operated some form of money-making venture. Strategic planning is used to control growth. The unequal partnership with government was the chief reason cited for lack of strategic planning. Critical factors in this relationship were short term funding arrangements, onerous reporting and a lack of consultation.

The second research question is approached through case studies of four community organisations (two large and two small) which have undergone strategic change. The focus of the case studies was the strategy process - how it was initiated, undertaken and its outcomes. These case studies show that the major impetus for strategic change is government policy shifts. The outcome of strategic change is, for the larger organisations, a structure which is more 'business like'. They have greater control on their costs, accountabilities are clearer and communication improved. The smaller organisations used strategic planning to respond to crisis and ensure their continued survival.

The methods adopted to formulate strategy reflect the nature and context of the organisation. Larger community organisations undertook to gain tighter control of their structure so that an altered strategy could be achieved. Many of their methods were similar to the private sector - leadership, vision, structural change and use of information technology to facilitate communication. The smaller organisations undertaking change were much more aware of the need to gain support both from within their organisation and from their external stakeholders. Their methods were much more consensus driven.

The case study sites successfully retained their mission and used it to energise and keep the commitment of their staff. It was a great unifying force in the organisational change undertaken.

Community organisations can benefit from much of the writing on strategic change in the private sector. Many of the techniques - SWOT analysis, differentiation of strategies, competitor analysis, have application to the community sector. The private sector can however learn much from these community organisations in terms of how they have striven to retain a unified approach to the strategic change. Change was built around a central mission, the methodologies employed worked to achieve consensus, and broad participation.

# Acknowledgments

This thesis would not have been possible without the cooperation of many people. I wish to thank all the informants in the case study sites, the Industry Commission staff for readily allowing access to the information they had received for their *Inquiry into Charitable Organisations* and the 'expert' interviewees.

I am very grateful to all these people for their time and the wealth of information they imparted. I hope I have captured some of their knowledge and experience.

Laura Maquignaz

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# Chapter 1: Concepts and brief

## Concepts used in research

This research is a cross-sectional exploratory study concerned with how community organisations can utilise the benefits of strategic planning whilst retaining a strong sense of mission. Mission, which is the *raison d'être* of many of these organisations, allows them to play a unique and valuable role in the Australian community.

### Community organisations

Community organisations are those 'not-for-profit, non-government organisations' involved in the 'delivery of social and community services, including advocacy, community development and self help' (ACOSS 1994, p.2). They are also referred to as non-government organisations, welfare groups or charities. The Australian Council of Social Service (ACOSS),<sup>1</sup> prefers that this group of organisations be referred to as

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<sup>1</sup> ACOSS is the Australian co-ordinating or peak body for community organisations.



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community organisations and the term 'community sector' used when referring collectively to them (ACOSS 1994, p.2). Where possible this convention is adhered to, although the term non-government welfare organisations is also used.

Community organisations provide the majority of our community services (Lyons 1993a, Farrar 1993) and employ some 1.4 per cent <sup>2</sup> of our labour force. Estimates on the number of community organisations in Australia vary. There is no satisfactory method for collecting data on their size as they are generally exempt from tax, not all are obliged to submit annual reports and the Australian Bureau of Statistics fails to collect satisfactory data on the extent of the sector (Lyons 1993a, 1994). Milligan, Hardwick and Graycar (1984) estimate that there are between 26,000 and 49,000 community organisations depending on the definition employed (p. x-xi). Community Services Victoria <sup>3</sup>(1992), in its report on the dimensions of sector in Victoria, estimated that the community sector employed 22,500 staff in approximately 2,000 community organisations. (In comparison, 7,500 staff were employed by Community Services Victoria.)

These organisations form part of the not-for-profit or third sector which consists of:

- a distinctive form of organisation in that they are controlled by private rather than government interest but they were not established to make a profit for their owners or shareholders. Rather they were formed to either assist members or to help others (Lyons 1993a, p.27).

Their style of management contrasts with the other two sectors, government organisations and business/profit making organisations. This thesis highlights these differences in terms of strategy formulation.

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<sup>2</sup> Estimates communicated to author in personal correspondence from Mark Lyons (21 June 1994)

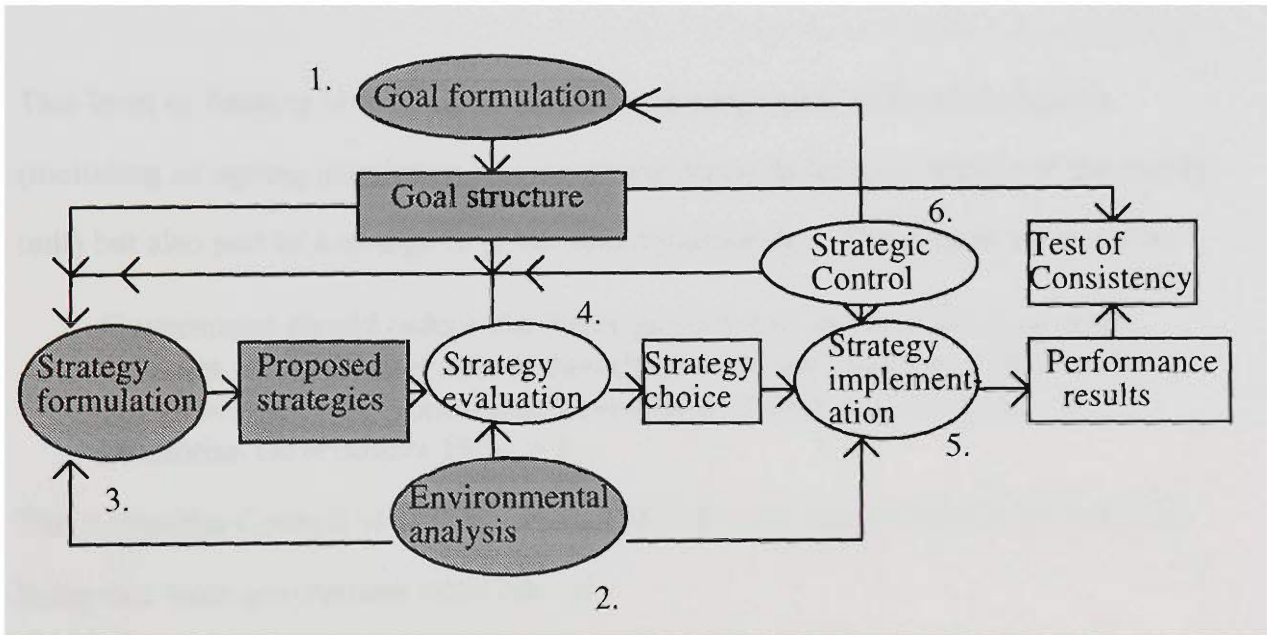
<sup>3</sup> This Victorian government department is now known as Health and Community Services.

# Strategy formulation

Strategy formulation is a step further within strategic management than goal or mission formulation and focuses on the strategy process rather than the content of a strategic plan. Strategy formulation concentrates on planning processes - asking 'what roles mission and organisation goals play, what initiates the process, who is involved, what information is used, what sets of internal and external factors shape the process and how formalized it is' (Stone & Crittenden 1993, p.197).

Schendel and Hofer (1979) see strategic management as having six steps or processes. These steps are illustrated in Figure 1. The linkages between the shaded areas are of most concern in this research.

**Figure 1: An overview of the strategic management process**



Although Figure 1 does clarify the various steps of the strategic management process and illustrate where strategy has to develop, it does tend to make the process appear linear. Strategic processes however are 'iterative'. 'All activities are interrelated and it is necessary to move backwards and forwards amongst these activities to get the best results (Viljeon 1991, p.14).

Strategic management offers an organisation a future focus. This focus facilitates the allocation of resources in order to achieve the desired outcome. It is a 'disciplined effort to produce fundamental decisions and actions that shape and guide what an organisation is, what it does, and why it does it' (Bryson 1988, p.5).

## **Relationship of community sector to government**

The availability of government funding has fuelled considerable growth amongst community organisations. Community Services Victoria (1992), in a 1989-1990 survey of the community organisations it funds, estimated that 43% of Victoria's community organisations had been formed since 1980 and 84% date from 1960. These community organisations received the bulk of their income from government - on average about 70%. The Victorian Government alone funds the sector nearly \$500 million per year to provide a range of community services (Victorian Government 1994, p.1).

This level of funding is not only a reaction to demographic and social changes (including an ageing population and increased demands for care outside of the family unit) but also part of a change in government philosophy. The current view is that:

Government should reduce the direct provision of services and fund other agencies who are better able to directly provide such services. This can be characterised by the phrase that Government should 'steer not row' (Victorian Government 1994, p.2).

The Australian Council of Social Service (ACOSS) sees the current social policy as being one where government takes care of:

- entitlement services [i.e. social security] that need to be widely delivered on a uniform basis -- [and] community organisations -- [undertake the ] personalised services, preventative and community development activities--(ACOSS 1994, p.5).

## **The unique role of community organisations**

Community organisations are seen as more flexible and innovative than government.

'By their nature, governments tend to operate by endeavouring to reduce variety in the system rather than by expanding their capacity for sensitive and varied response'.

Community organisations 'mobilis[e] human and material resources' to work for a specific area of need. This mobilisation involves 'meaningful community involvement' and is an 'important tool for weaving community cohesiveness. This can serve as a safeguard against some parts of our society becoming marginalised.'  
(ACOSS 1994, p.19).

Yet if community organisations cannot retain their original mission they risk becoming part of the 'shadow state', a term Wolch (1990) used to describe the growth of para-state apparatus one step removed, but nevertheless conditioned by, the availability of government funding. This condition would mean the community sector would lose its unique value. Its distinctiveness rests on its independence, flexibility and ability to innovate as well as its commitment to :

- particular values which underlie the impulse to contribute. It may be the value of self help, of charity, of emancipation, -- none of these impulses and values can be sustained if [community organisations] are treated as mere agencies of government to meet a set of externally identified needs or priorities (Farrar 1993, p.143).

Even if one disregards this 'myth of pure virtue' (Salamon 1994, p.118), it is important that community organisations retain independence so that they can serve a 'mediating function'. These organisations 'are important to our concept of community, of citizenship as they embody the efforts of people to take collective action outside the umbrella of government' (Smith 1993, p.83).

Billis has called for the community sector to find 'an explicable and defensible account of what they are and where they are going ' if it is to move from 'victim' to

'partner' of government policy (Billis 1993, p.50). This call resonates with the qualities attributed to strategic management by the business literature. It is a call for a future focus with an integrative plan of action.

## **The research brief**

### **The problem**

In this period of growth, community organisations cannot simply opt for a future created by an external agenda. To retain independence and build on mission community organisations need to formulate strategy which uses mission as the 'driving force' of an organisation, as the 'end for which strategy is the means' (Tregoe and Zimmerman, quoted in Moore 1992, p.82).

This sense of mission must be retained or strategic planning could be used simply to gain competitive advantage. Butler and Wilson (1990) note how in the United Kingdom the voluntary sector has taken to importing professional managers who implement strategies based on competitive advantage rather than the organisation's mission. This has decreased the spread of available services and caused 'an inevitable clash of values between voluntary staff, paid staff and professional managers' (p.172). This clash does not benefit the organisation nor assist the sector to argue for what it has that is of unique value.

### **Research questions**

1. What is the state of strategic planning in the community sector? What impedes or encourages it?
2. How do community organisations formulate successful strategy? Does the strategy formulation they adopt serve to reinforce their sense of mission?

## Methodology

Research question 1 is investigated using the wealth of documentary evidence collected by the Industry Commission *Inquiry into the Tax Deductibility of Charitable Organisations*. In the terms of reference the Commission asks that submissions include some statement on strategic management.

Research question 2 is investigated using case studies of four different community organisations. The four sites consist of two large community organisations (one religious, one disability based) and two small community managed organisations (one local kindergarten run by a committee of management, the other a women's health information service). These case study sites are all located in Metropolitan Melbourne (Victoria).

All the case study organisations have successfully implemented a strategic change. The case studies outline the initiator of the change process, the formulation process undertaken and outcomes. Documentary evidence was used as well as interviews with key staff at different levels of the organisational hierarchy.

Upon completion of the case studies some preliminary overall findings were drafted and discussed with 3 key people in the community services sector. One is a senior government bureaucrat, another the executive director of a large community organisation (not in the case study series) and the third a recently retired influential figure in the sector. These discussions place the case studies back into the broader context of the community sector.

All interviews and completed case studies were sent back to interviewees for verification and comment. This allowed for corrections and for the research findings to name the organisations and 'experts' used and enables further research.

## **Limitations**

The community sector is very difficult to successfully represent within the constraints of this thesis. Attempts have been made to represent different types of organisations within the sector - large, small, hierarchical, community managed. However there is still a sense of the difficulty of fully representing the shades of variation, for example, the completely voluntary community organisation has not been represented.

The Industry Commission submissions only represent those organisations which put in a submission. The case study sites may be biased by their Victorian location.

Victoria has a much longer history of charitable endeavour (Howe and Swain 1993) and the present Victorian government has a rigorous reform agenda which may give an exaggerated view of the pace of change within the sector. It is sensible to control for state-biased differences in the sector. The Industry Commission submissions and case study sites were chosen to balance large and small organisations. The use of the outside experts added a broader perspective and moderated the choices made.

Strategic planning, as part of organisational change in the context of the community sector, has to be seen as being influenced by altered public policy. The organisations themselves are far more ideologically driven than those which only seek profit. The sector has a very close relationship to government and forms important lobby groups to influence public policy. This research presents political debate about public policy where it is relevant to the case studies.

## **Outcome of research**

This research will provide a framework which encourages more positive use of strategic management in the community sector. It examines the factors which influence the need for strategic planning and illustrates some strategy formulation processes that both achieve strategic change and maintain mission.

## **Chapter 2: Literature review: strategy formulation and community organisations**

The management literature has assimilated from the military the concept of strategy. Parallels are drawn between the strategic planner and the military strategist marshalling resources - equipment and soldiers, to win the battle (Nutt & Backoff 1992, Pfeiffer 1991). Military terminology is used to describe strategic planning outcomes - *winning* market share, *securing territory*, *advancing* into new areas or squashing *enemies*. Porter (1990) makes gaining strategic advantage the battle of American industries for 'national competitiveness' against Asian and European competitors.

Since the introduction of the term by Chandler (1962) and its popularisation by Drucker (1964), strategic planning has become a prominent concept in the business



literature. Strategy is seen as a unifying mechanism for giving an organisation a future focus which will lead to success. This is especially important in a time of economic uncertainty and increased competition. An organisation's survival depends on it gaining and retaining strategic advantage.

The main question of this literature review is whether strategy formulation, which uses such alien terminology to define itself as a concept and whose primary purpose is enhancing profits, has anything to offer community organisations. Bottom line results and return on investment are not organisational objectives within this sector. These organisations have multiple objectives and multiple constituencies which economically based strategic planning techniques fail to acknowledge. The sector however has great need for clearer objectives (Drucker 1990, Kemp 1990) and to develop 'an adaptive stance towards the environment' (Butler & Wilson 1990, p. 172).

The three trends evident in the literature are -

1. The discussion of strategy formulation ranges from rational (planned and controlled) to 'emergent'<sup>4</sup> (unplanned and open to chance). The style of strategy formulation adopted depends on the structure and context of an organisation.
2. The more recent literature (Mintzberg & Waters 1985, Mintzberg 1994, Peters & Waterman 1982, Pfeffer 1992) deals with organisations as social systems with their own political and social (cultural) processes. Such processes impinge on strategy formulation.
3. Within the literature on not-for-profit organisations, the popular models of strategic planning focus heavily on leadership, vision and values. This aligns strategy formulation within this sector with the more recent literature on social rather than 'rational' process.

This literature review will look first at the definition of strategy and the main debate within strategy research. It will then outline an integrative framework developed by

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<sup>4</sup>The term was popularised by Mintzberg & Waters 1985.

Hart (1992) which makes sense of the bewildering array of models in the literature. Finally the structure and context of the community sector will be given and the application of strategy formulation to the sector discussed.

## Strategy formulation

### Strategy

The strategy definition which is most often used is that of Andrews (1971) who defines strategy as:

the pattern of decisions in a company that determines and reveals its objectives, purposes or goals, produces the principal policies and plans for achieving these goals and defines the range of business the company is to pursue, the kind of economic and human organization it intends to be and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers and communities (Andrews 1971 p.18).

This definition is echoed by other writers (Mintzberg & Quinn 1991, Hax 1990). It contains the central dimensions of a unifying pattern of decisions that allocates resources and has a viable posture and expected outcomes.

Hax (1990 p.36) sees strategy as containing three primary focal points:

- *the business unit*, 'which is the central subject of analysis';
- *the industry structure*, which determines the key environmental trends;
- *the internal competencies* which define the ways to compete.

These focal points provide 'long-term objectives, strategic action programs and resource allocation priorities'. All three levels of strategy co-ordinate to form 'a sense of unity, direction and purpose as well as facilitating the necessary changes induced by the firm's environment' (Hax 1990, p.34).

### Strategy formulation

The term strategy formulation, rather than strategic planning or strategic management, is used because it is more inclusive of the early parts of the strategy process. The current literature has shifted the focus of strategy from the achievement of a plan. A

range of 'non rational factors' have been admitted into the strategy process. Implementation and planning have become intertwined. Strategy formulation is now seen as a circular rather than linear process which is described as 'the dance of the what and how [which] mov[es] between content and process in several waves or stages of activity' (Nutt & Backoff 1992, p.17). The process of strategy formulation, with its opening up of strategic issues and attempts at organisational change, is an ongoing process of organisational adjustment.

### **Strategy formulation processes**

Clearly in getting an organisation to move in a planned strategic direction, a whole series of evaluative decisions have to be made. Duncan (1989/90, p.65) sees these decisions as based on background knowledge including:

- a clear statement of the organization's mission, values and mandate,
- an analysis of the organization's resources, those aspects of the world within its [the organisation's] control;
- an analysis of the external environment within which the organization operates'.

The literature outlines various techniques for each of these areas such as workshops, consulting with stakeholders, SWOT<sup>5</sup> exercises, various matrices and financial models. The investigation of strategy as achieved by these processes would be termed looking at 'strategy content' research. Stacey (1993) terms this a 'static analysis' of strategy.

A more 'dynamic' approach is now favoured (Stacey 1993). Researchers now look at the process issues which are the basis of strategic decisions. Strategic process research allows greater scope in looking at the range of factors involved in strategy. Content research can make strategy appear complete in the strategic plan so that effectiveness is judged by goal achievement. The danger in this is that 'changes in

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<sup>5</sup> **SWOT** - Strengths and weaknesses within the organisation, opportunities and threats from sources external to the organisation

circumstances can render goals valueless, participants might collude to set easily attainable goals and no insight is gained into how the process can be improved' (Dyson 1983, p.68).

Eisenhardt and Zbaracki (1992) see the major strategic decision choice paradigms as 'rationality and bounded rationality; politics and power; garbage can' (p.17).

Rationality to garbage can represent opposite ends of a continuum. At one end is the rational planning activities undertaken by top management. The other end is occupied by chance and organisational anarchy where decisions are made opportunistically by whoever is in the right place at the right time. The choice of sphere for strategic decision making is 'heavily dependent on the nature of the firm, its constituencies, its structure and culture' (Hax 1990, p.34).

Hart (1992) has developed a useful integrative framework which incorporates the major process models from the strategy literature into this continuum. He divides his framework into 5 modes - command, symbolic, rational, transactive and generative. He also adds the role of different types of environment, size, stage of development and strategic orientation on the decision to use any of these 5 modes of strategy formulation (see Table 1).

Table 1: An integrative framework for strategy-making processes

Descriptor	<sup>6</sup> Command	Symbolic	Rational	Transactive	Generative
Style	(Imperial)	(Cultural)	(Analytical)	(Procedural)	(Organic)
	Strategy driven by leader or small top team	Strategy driven by mission and a vision of the future	Strategy driven by formal structure and planning systems	Strategy driven by internal process and mutual adjustment	Strategy driven by organisational actors' initiative
Role of top management	(Commander) Provide direction	(Coach) Motivate and inspire	(Boss) Evaluate and control	(Facilitator) Empower and facilitate	(Sponsor) Endorse and support
Role of organizational members	(Soldier) Obey orders	(Player) Respond to challenge	(Subordinate) Follow the system	(Participant) Learn and improve	(Entrepreneur) Experiment and take risks
Environment	Simple: Low level of complexity	Dynamic: High velocity or radical change	Stable: Low degree of change	Many stakeholders	Turbulent: dynamic and complex
Firm size	Small	Medium-large	Medium to large	Large	No relation
Stage of development	No relation	Rapid growth; reorientation	Steady growth	Mature	No relation
Strategic orientation	No relation	Proactive change (prospector/ analyzer)	Solidify position (defender)	Continuous improvement (Analyzer)	Innovation (Prospector)

Source: Hart 1992 pp.334,342

As can be seen in Table 1 the role of management and workers varies with each mode as does the environment and size of the organisation. The symbolic and generative mode seem most suited to the current turbulent environment. The symbolic mode is characterised by a shared vision which Hamel and Prahalad (1989) have called 'strategic intent'. Many popular management books are written by chief executive officers who show how their vision has shaped an organisation (Semler 1993 [Semco], Kearns & Nadler 1992 [Xerox]). The generative mode is about intrapreneurship (the management of risky innovative ventures within established

<sup>6</sup>Definition of Descriptors (Hart 1992): 1. **Command** - 'Strategy making is conscious, controlled process that is centralized at the very top of the organization' (p.335). 2. **Symbolic** - The creation by top management of a compelling vision and a clear corporate mission (p.336). 3. **Rational** - Seeks to be comprehensive with a high level of gathering and use of internal and external data (p.337). 4. **Transactive** - Based on interaction and learning rather than execution of a predetermined plan (p.338). 5. **Generative** - dependent on the autonomous behaviour of organizational members via intrapreneurship (p.338)

organisations). This mode is also at the heart of much of the recent management literature on innovation (Kanter 1989, Peters & Waterman 1982). The rational and command modes, which were central to much traditional strategic planning, are less appropriate at the present time. This helps explain the shift in emphasis of the strategy literature away from 'content' research to process.

## **Value of strategic planning**

Increasingly the value of strategic planning is questioned. This questioning is part of the broadened view of the strategic process. The process is seen as more important than a plan. Mellalieu (1992) points out that we exist in an 'age of uncertainty'. The business environment is far less predictable and management is seeking to 'some how create an incredibly flexible organisation -- instantly responsive to environmental changes -- the probability that a plan can be developed and then strictly adhered to in such situations is virtually nil' (Mellalieu 1992, p.11).

Hamel & Prahalad (1989) blame traditional strategy processes for the withering of Western competitiveness. 'The application of concepts such as 'strategic fit' (between resources and opportunities), 'generic strategies' (low cost versus differentiation versus focus) and the 'strategy hierarchy' (goals, strategies and tactics) have often abetted the process of competitive decline' (Hamel & Prahalad 1989, p.63). They urge the adoption of 'strategic intent'. They view Japanese and Asian competitors as having a clear 'winning' objective as their strategy. This 'winning' is used to marshal their resources rather than taking the Western planning view of cutting the strategic plan to fit the available resources.

Mintzberg (1994a) adds to this view by outlining why strategic planning should be changed to strategic thinking. He sees the current disillusionment with strategic planning being caused by it being a 'calculating style of management rather than a committing style'. He urges the adoption of strategic thinking which is 'about

synthesis which involves intuition and creativity'. Strategic planning techniques should be used to 'broaden issues' rather than discover one right answer' (Mintzberg 1994a, p.108). He sees the current formalised strategic planning as being centrally directed by top management and thus failing to allow managers to take charge and respond strategically to the environmental changes they experience first. Rational modes of planning are no longer as appropriate in a time when flexibility and creativity are valued and organisations are being downsized and restructured.

### **Strategic planning and community organisations**

Authors such as Drucker (1990), Gwin (1990) and Kemp (1990) have urged the not-for-profit sector to adopt strategic planning. The typical public and non-profit agency planning has been characterised as being 'reactive, short range, staff oriented, dominated by single issues, hierarchical in nature and generally lacking in community support' (Kemp 1990, p.205). Gwin (1990) sees strategic planning for not-for-profit organisations as having been historically more 'an exercise in hope than one of targets and objectives'(p.48). The dominance of non-financial objectives has caused planning to be less directed than in profit making organisations.

There is an increasing number of how to do it manuals being produced by Australian community organisations (MSTU 1993, Aboriginal and Torres Strait Islander Commission 1993, Hamilton-Smith 1993). These publications outline group techniques for objective clarification, SWOT analysis and community consultations. The emphasis is on finding a shared vision which is inclusive.

### **Characteristics of the community sector**

The characteristics of the sector will be outlined. In addition to providing this context some implications for suitable strategic planning processes will be highlighted.

### ***Organisational structure***

The sector is dominated by a small group of large organisations. In Victoria, for instance, 20 large community organisations (about 0.1% of the total) control 50% of the assets and generate 44% of the revenue. This situation is reflected in other states (Lyons 1994, p.52). The dominant style of the large community organisations is bureaucratic (Drucker 1990, Mintzberg 1983).

These organisations can be expected therefore to have some of the problems outlined by Mintzberg (1983) in adapting to change. Professional bureaucracies, he writes, are collections of individuals who 'pigeonhole' and operate to standard outputs. Change only comes 'after much political intrigue and shrewd manoeuvring' (p.210).

Though a substantial proportion of the funds and employment are carried out in the community sector via larger 'agency managed' organisations, 'community managed organisations contribute significantly to the overall non-profit, non-government sector' (Nyland 1994, p.3). These organisations are 'managed by the community that organisation serves' (p.6) and the management structure is 'a politically and philosophically defined reaction against alienated, institutionalised social services being delivered from within a paternalistic framework' (p.7).

This community management model is seen as being in crisis through lack of resources, management skills and the increasing complexity of the environment (Hunter 1993, Farrar and Gain 1991). Nyland (1994) sees the solution to this crisis being for the community managed organisation to 'work out how best to achieve its aim and how to enhance its success' (p.5). She outlines a strategic process which first establishes the organisational profile and then the governance structure. It is at this stage that stakeholders can decide if they wish to stay as a community managed organisation (p.62). This is a very process centred strategic planning method similar to what Chandler (1962) argued in that structure follows strategy. The difference is



that in community managed organisations it is a decision which would be reached by consultation and some majority consensus rather than dictated by senior management.

### ***Workforce***

The workforce in this sector is largely part time and female (Lyons 1990, CSV 1992). In Victoria estimates are that 60 % of the non-government welfare sector workforce is part-time (CSV 1992, p.17). Volunteers are also heavily represented in the workforce. There are some 85,112 volunteers in Victorian community sector alone. They contribute an average of 6 hours per week and this is estimated as providing the equivalent of 64% of the total paid staff hours. In fact some 232 community organisations in Victoria have no paid staff (CSV 1992, pp.77,78).

The management layers of these organisations are underrepresented in comparison to profit organisations. In Australia there are 3 management personnel to the equivalent 12 in the for profit sector (Lyons 1993b). Personnel in management positions are unlikely to have equivalent management training to the profit sector. 'In the case of charitable organisations the managers may possess only rudimentary management skills and be employed by the organisation on a part-time or volunteer basis (Gwin 1990 p.45). A background in 'social work, the ministry -- may not prepare the ED [Executive Director] for an integrative approach to the organisation' (Unterman & Davis 1984, p.176).

Strategic planning will not be assisted by managerial expertise. Workforce commitment may be short-term. In this context strategy formulation processes will have to provide learning for staff and volunteers in order that expertise be developed and long-term commitment encouraged. The mission of the community organisation will have to be very clear and widely accepted.

## ***Environment***

In Australia, over the last five years, the community sector has grown at close to 13% compared with 2-3% for other industries. This growth is caused by the increased break up of the public service which is divesting itself of running welfare programs and contracting out its services (Lyons 1993, Jones 1992). Strategy formulation will be concerned with coping and competing in this turbulent environment. There are opportunities for growth but it is growth determined by the availability of outside funding which necessarily has its own agenda.

The other feature of the sector which is stressed in the literature is its multiple constituencies. As Gwin (1990) points out these multiple constituencies have relationships which are much less formal and 'don't necessarily interrelate'. With for profit organisations a good bottom line result unifies the constituencies. In the not-for-profit 'constituent groups are independent of one another and so do not have concomitant goals'. Constituent groups are - 'resource generators, service users, regulators, managers, staff (including volunteers)' (Gwin 1990, p.45). The goals of each group may in fact conflict. This can lead to a situation where rational planning is difficult as 'groups may hesitate to clearly specify objectives' (Wolch 1990, p.25).

Nutt & Backoff (1992) also point out that the degree of 'publicness' (exposure to the general public) is greater in the not-for-profit sector, adding to the need for political acumen. These organisations do not operate in a 'sequestered setting -- strategy making is both a political and formative process'. A strategy can be used to entice additional funding from 'resource generators' or even to simply make the organisation appear efficient to potential donors. This aligns with Mintzberg's (1991) view of one of strategy's functions being a 'ploy' to ensure support.

The processes endorsed by the not-for-profit literature largely fall into the 'symbolic' mode. Leadership, vision, culture and values are stressed as a means of finding

strategic direction (Garner 1989, Drucker 1990, Nutt & Backoff 1992). As well as the symbolic mode, however, community organisations seeking strategic planning methodologies should also look to the transactive mode suggested by the Hart framework. The models in this mode are appropriate to multiple stakeholders and have an orientation to continuous improvement. Some examples of this methodology are contained in the literature on total quality service (this strategy would serve both as a 'ploy', a learning experience and be in line with organisation values) and issues management. Stroud describes this as 'a formal vehicle for identification of all issues impacting on our business'. The issues identified are integrated into the regular management planning and decision systems (Stroud 1986 p.30). This technique could give good indications of political and social changes which will impact on the not-for-profit organisation.

## Conclusion

Strategy formulation processes in the community sector must be cultural, political, as well as offering opportunities for learning. Group decision making processes will be more appropriate in some settings than hierarchical ones. This broad outline shows the appropriateness of the processes endorsed by both the not-for-profit strategy literature and the Hart framework (*symbolic* for mission driven strategy and *transactive* for multiple stakeholders).

The following chapter presents a broader industry view of the state of strategic planning within the community sector. After this analysis, case studies will be outlined that show what strategy processes community organisations have successfully adopted. An alignment of the processes used and the Hart framework will be undertaken.

## **Chapter 3: Strategic Planning - a view from the Industry Commission Inquiry into Charitable Organisations**

This chapter seeks to answer research question 1:

1. What is the state of strategic planning in the community sector? What impedes or encourages it?

Descriptive statistics are used to assess how several variables concerning organisational size and complexity determine strategic planning. Qualitative data is then used to describe the environmental context of the sector and the major issues inhibiting the undertaking of strategic planning.

The major source of evidence used for this analysis is the publicly available submissions and hearing transcripts collected by the Industry Commission *Inquiry into Charitable Organisations*. This Inquiry called broadly for submissions and

undertook hearings in all Australian states. The Inquiry received 403 submissions and collected over 1,000 pages of transcripts of evidence given at the Commissioners' hearings.

The submissions to the Industry Commission are a valuable source of data on the community services sector. All Australian states and a broad range of community organisations are represented. The community sector is taking the deliberation of the Commission very seriously. Thirteen of Victoria's 20 largest community organisations have made submissions. All state Council of Social Services (state-wide community sector peak bodies) have made submissions. The Australian Council of Social Service is maintaining a watching brief on the Inquiry and issuing bulletins on its progress. The Inquiry is scheduled to bring out its final report at the beginning of 1995.

Of specific interest to this research is the inclusion, in the terms of reference of the Inquiry, a section on strategic management within community organisations. The Commission asks:

What resources does your organisation devote to strategic planning? Do you consider it adequate? If not, what is the reason for this? (Industry Commission 1994, p.13).

## **Methodology**

Statistical and qualitative information was collected from 283 submissions from community organisations and associated transcripts. This focus was confined to human service organisations within the Australian context. Excluded from this process were overseas aid organisations, animal welfare groups, sport and conservation organisations (n=20). Qualitative, not statistical, data was also collected from submissions from individuals (n=28), philanthropic trusts, government

departments, bodies external to the non government sector (for example, the submission from Tax Reform Australia Inc.) and the hearing transcripts.

### ***Limitations of data***

The evidence to the Industry Commission Inquiry cannot be taken as other than a cross-section of organisations who had the willingness and resources to make submissions. The Society of St Vincent de Paul in Queensland, for instance, estimated that their 30 page submission cost their organisation \$26,500 (Submission 187). Submissions varied considerably in length and quality. Some were simply two pages written to express a strong point of view on the Commission's work or government funding. Not all points in the terms of reference were consistently addressed by all submissions.

Some submissions may simply not have mentioned strategic planning even though it was undertaken. The sector does have a problem with management terminology. Drucker (1989) says the sector regards 'management as a dirty word' (p.89). Bullen (1993) illustrates this difficulty by pointing out:

Private sector management feels comfortable with terms such as strategic planning, SWOT analysis, customers -- welfare organisations talk about needs, support, coordination, rights and networking (p.42).

These limitations have meant that the emphasis is on broad trends rather than statistical analysis. The qualitative data collected from the submissions and transcripts is central to the analysis. Qualitative and descriptive information gives good indications of the context within which the community sector operates.

### **The submissions - a statistical outline**

The working hypothesis of this section, which relates to the first research question, is:

H1: The larger and more complex the community organisation, the more likely it is to undertake strategic planning.

Statistics on various indicators of organisational size and type were collected from the 283 submissions. Data collected covered state, type of service offered, target group

for services, number of staff and volunteers, number of service points, whether the organisation had any commercial ventures and if it undertook strategic planning<sup>7</sup>.

The mission of the organisations were also collected, including a broad characterisation of the mission statement, if possible. The formulation of a mission statement (or goal formulation) is sometimes seen as the first step to undertaking strategic planning (Drucker 1990, Schendel & Hofer 1979). The mission categories were religious, medical, legal and community managed<sup>8</sup>.

### **Frequencies of variables**

All Australian states were represented in this data sample (n=283). 58% of the submissions came from the Eastern states with New South Wales having the largest number (21.2%, n=60). West Australia and South Australia were the origin of 11.7% and 5.3% of the submissions respectively.

No mission statements were defined in 133 submissions. Of the remaining 150, 44.7% (n=67) had a religious mission and 34.7% (n=52) had a medical mission. Included in the 'medical mission' category were community health centres, hospitals and disability organisations. The majority of organisations with this medical mission were disability groups (n=47).

The type of service offered by the submitting community organisation was most frequently characterised as being a range of social services (17.7%, n=50). This was followed by submissions from peak organisation (17%, n=48) and then health interest groups (16.6%, n=47). The health interest groups usually dealt with a mental or physical disability or a chronic disease.

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<sup>7</sup> See Appendix for coding sheet used for collection of data. This contains categories of variables and coding values.

<sup>8</sup> Community management is a management style which has an ideological commitment to involvement of the community - both clients and neighbourhoods, in the management of non-government welfare organisations.



The largest client group targeted for services were individuals with specified needs (for example, a disabled person, someone with a drug dependency). This group consisted of 36.7% (n=104) of the submissions, followed by no specific group defined for services (24.7%, n=70) and aged persons (14.8%, n=42).

In terms of employees, 19.3% (n=40) of the submissions had less than 200 staff (of these 11.1%, n=23, had 10 or less paid staff). 1.9% (n=4) of organisations had no paid staff and 2.5% (n=5) had more than 1000 paid staff. The majority of submissions (73.9%, n=153) gave no specific number of paid staff other than indicating that they did have paid staff. Similarly with volunteers - 3% (n=6) had no volunteers whilst at the other extreme, 6.5% (n=13) had over 1,100 volunteers. 77.3% (n=157) indicated that they did have volunteers but gave no specific number.

A large number of organisations (41.5 %, n=86) had only one service point. 3.5% (n=9) had over 160 service points. The rest of the organisations were fairly evenly spread between these two extremes. 13% (n=37) mentioned operating some commercial venture. These commercial ventures ranged from a radio station (Sydney's Wesley Central Mission) to the multi million dollar health food company, Sanitarium (Seventh Day Adventist Church). The most common commercial venture was the running of opportunity shops (29.7%, n=11).

Of the 283 organisations 27.6% (n=78) mentioned that they undertook strategic planning.

## **Cross tabulations**

Cross tabulations were run with strategic planning against state, type of service, target of services, mission, number of staff, volunteers, service points and whether or not the submission mentioned that the organisation had a commercial venture.

Using a chi square test it was established that there was a significant relationship between increased numbers of paid staff, volunteers and service points and an increased tendency to undertake strategic planning.

**Table Two: Strategic planning by staff, volunteer and service point numbers**

Strategic planning	Staff (more than 200)	Volunteers (more than 450)	Service Points (more than 1)
Yes	64.3 % (n=9)	57.9% (n=11)	40.7% (n=24)
Chi square	p = .004	p =.03	p =.05

Notes: 1. Data omitted where no specific number specified.  
2. Cut off for categories relate to actual numbers given. Volunteer numbers went from 200 to 450 with no occurrences in between.

The variables most significantly influencing the undertaking strategic planning were operating a commercial venture and location of services in more than one state.

**Table Three: Strategic planning by location and commercial venture**

Strategic planning	More than one state	Operates commercial venture
Yes	46.3% (n=25)	64.9% (n=24)
Chi. square	p =.000	p =.000

The data available supports the hypothesis that increased organisational complexity increases the likelihood of undertaking strategic planning. Strategic planning is used to control growth. One of the reasons this relationship may occur is that larger organisations have more secure discretionary funding as they rely less on government funding. The relationship of government funding and strategic planning is more fully explored in the qualitative section which follows.

## **Qualitative findings - the context of the sector**

The statistical analysis so far has highlighted the great differences between community organisations. Many submissions were from small one service point agencies. Others, however, were from large community organisations which rival the size of state community services bureaucracies. The Uniting Church of Australia, for example, states that 'In Victoria, the Uniting Church, is second only to Government in the provision of community services' (Submission 270). This section uses a qualitative examination of the factors that inhibit strategic planning within the community sector, considering both large and small community organisations.

### **Problems with reliance on government funding**

The most fundamental concern with strategic planning, which is expressed in the majority of the submissions, is the sector's relationship to government. The sector operates as a partner to government - a very unequal partner many argued.

Community organisations receive a large proportion of their funding from various government programs to operate social services. The short term nature of this funding, its method of allocation and onerous reporting requirements are a source of many complaints.

The Australian Council of Social Services states that the:

- reliance on government funding can vary enormously from 5-10% of revenue for a small number of large agencies to 90-95% for a large number of smaller to medium sized single purpose organisations (Submission 286).

Funding from government is an essential component in the running of non-government welfare organisations. This dependency is illustrated in both small and large agencies. For example, the Malvern Elderly Citizen's Association received 54% of their 1993 income from government (submission 266) and the Salvation Army 27.1% (submission 394).

Government funding for programs is commonly given on a short term basis - usually on an annual basis. As stated by Fitzgerald (ACOSS) 'we may have long-term strategies but we have short-term funding' (NSW, transcripts). The conditions of this funding vary depending on which section of government gave the money. The Salvation Army lists the problems with government funding as:

- uncertainty about recurrent funding, inconsistency in annual funding cycles (eg. July - June for some programs, calendar year for others),
- delays in government funding often requiring agencies to fund staff salaries and other costs for extended periods,
- annual submissions for funding, complex formulae for hostel and nursing home subsidies (Submission 394).

The Australian Community Health Associations, noted that they experience:

contradictory expectations in that we both strive to become more self reliant and forward-plan over a three year period, while at the same time we are still expected to spend our entire annual grant within a financial year (Submission 13).

The funding, as well as being short term, also appears to be allocated without proper consultation with the service providers. It appears as 'whim funding' (funding is not allocated rationally but according to some bureaucratic whim) (Ms Bell - Volunteer Centre of NSW, transcripts). Bell uses as an example her organisation which spent a considerable amount of time on a submission to be told, once it was completed, that the government department concerned had changed its mind. It would no longer be taking submissions but would instead make an equally divided allocation of available funds. This, she felt, was caused by political expediency. The Queensland Family Resource Centre states how it received funding for running child protection services in remote areas but was unable to receive additional funding for the STD telephone calls and long distance travel involved. The funding received 'doesn't reflect the reality of provision of services' (Ms Norman, Qld Family Resource Centre, transcripts).

The receipt of funding can impose onerous reporting requirements on staff. Nyland describes the reporting situation as 'data lunacy' (CACOM<sup>9</sup>, NSW transcripts). She has coined this phrase to mean the excessive, uncoordinated reporting required by funding bodies. The Royal Blind Society of NSW, in its submission, illustrates this situation:

The Commonwealth Department of Human Services and Health has required us to complete 5 surveys in the last 5 months on the same group of projects. At least 40% of the information was common to all five (Submission 183).

Funding bodies currently do not discriminate between larger and smaller organisations, large or small grants. This means 'an agency with one worker is required to submit the same level of documentation as an agency with 40 workers and paid administrative staff' (Logan Regional Resource Centre Inc., Submission 25). The Sisters of Mercy in Townsville (Submission 37) see 'over regulation [as] the most pressing current issue for this organisation'.

## **Unclear relationship and expectations**

The parsimonious funding, lack of consultation and excessive reporting point to a lack of clarity in expectations and a lack of recognition of roles and responsibilities between the two sectors. The public sector and community organisations appear to operate with different expectations. A clear example of this ambiguity is the issue of volunteers.

Some community organisations have strong objections to volunteers and have none. Others however are almost totally run by volunteers with few or no paid staff. Government has an expectation that community organisations will use volunteers to deliver services. 'The contribution of volunteers to non government agencies is

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<sup>9</sup> Centre for Australian Community Organisations in Management

invaluable and is recognised as such by government departments' (Victorian Government, Submission 346).

Volunteers do cost community organisations money. Barnardos Australia estimate their volunteers cost \$5,000 per year (Submission 91). Government does not fund the cost of volunteers but is accused of regarding community organisations as a source of cheap volunteer labour. The Society of St Vincent de Paul (a largely voluntary organisation) feels abused by government departments who continue to refer people to their volunteer service after 3.00 pm on Fridays (Submission 6).

The issue of volunteers highlights both how the sector encompasses a broad range of views and how it can feel exploited by government. Government seems to assume the sector will always provide the service no matter how under-resourced.

### **Strategic planning within the sector**

This unequal relationship with government results in a lack of resources for strategic planning. This lack of resources is evident both in a lack of funding for undertaking the necessary planning and in the consequently low priority given to management and administration skills within the sector.

There is no funding allowed for administration or management of a service. Strategic planning is usually undertaken by 'staff volunteering their time' (Mental Health Coordinating Council, Submission 309) and only sufficient funds to run the service program are provided. Once operational, a service is:

- overwhelmed by demands from consumers. [We] estimate we would need to spend [an additional, unfunded] 10 - 20% of our time on planning (Logan Regional Resource Centre, Submission 25).

This resource scarcity for infrastructure support means that administration and management skills are both undervalued and underdeveloped. Administration is not highly valued in the sector. As pointed out by Endicott:

The highest paid people are in management positions in the for profit sector. In the not for profit sector most of the work in management is done by unpaid volunteers on management committees (Logan Regional Resource Centre, QLD, transcripts).

Fitzgerald says that:

The community has become obsessed, and the organisations themselves, with saying 'we have the lowest administration costs in relation to the operation of the organisations'. The consequence of that approach and the failure of governments and the community at large to recognise administration as a legitimate important part of activity means that research, data collection, evaluation all suffer (Australian Council of Social Service, NSW transcripts).

Professional staff are not trained in administration nor management. Over 60% of the students who enrol in the University of Technology, Sydney community management course are early school leavers. 'One of the problems of this sector is that - it is seen as being underskilled when in fact you have got a mix of skills but also some very peculiar and difficult environments' (Nyland, CACOM, transcripts). The situation in agencies is summed up by the Anglicare WA submission:

Far too many professional staff - psychologists, social workers, have been loaded with managerial and administrative duties which remove them from their chosen field of expertise -- they are not always adept at invoking authority or at dealing with it (Submission 193).

The consequence of this lack of resources for infrastructure support has meant that strategic planning within the sector has become 'a luxury that most over-burdened charitable organisations can only look forward to' (Catholic Archdiocese of Brisbane, Submission 353). Given these circumstances it is easy to see why strategic planning occurs more frequently in larger, more complex organisations.

## Suggestions to improve strategic planning

If strategic planning, or even long range planning, is to become common in the sector there needs to be a reassessment of the relationship with government. It is clear that under the present arrangement the insecurity of funding leads to short term decisions which are not necessarily cost effective. The situation encourages a 'spend it or lose it attitude [and] -- reduces the incentive to innovate' (ACTIV Foundation, Submission 178). ACOSS suggests:

- the funding system should provide a balanced approach, giving priority to allocating resources to meet clearly specified needs, but which is also broad enough to recognize the need to prudently support agency infrastructure costs (Submission 286).

Even if funding became more long term with support for administrative costs, there also needs to be an evaluation of the present reporting procedures and lack of coordination within the government bureaucracy. As Nyland has suggested, there must be 'coordination within the bureaucracy and definition of the relationship between the public sector as a funding body and the community organisations that it funds' (CACOM, NSW transcripts). An industry to industry relationship must be developed. The two sectors must arrive at a 'true partnership based upon clear agreements over roles and responsibilities, co-operation, respect and appropriate autonomy' (SACOSS, Submission 250).

David Scott<sup>10</sup> (Melbourne, transcripts) suggests that non-government welfare organisations also need to coordinate their own proposals for services to government. He sees it as too easy for government to not accept the multiple proposals which originate from the sector. He calls for the community sector to present more comprehensive plans and improve its management skills. The mechanism he suggests is:

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<sup>10</sup> David Scott is widely known and respected within the community services sector both as an innovative executive director and author.



- something like an office of non-government organisations -- such a body [would be supported] to do research, to monitor, to help identify appropriate indicators, to help organisations with developing better understanding of appropriate management. [It would be a] focal point (Melbourne, transcripts).

Additional funding for planning and infrastructure support, better coordination with the bureaucracy and clear vision from within the sector itself would ensure strategic planning could be undertaken in a broader range of community organisations.

## Conclusion

The Good Shepherd Youth and Family Services points out to the fundamental value difference between community organisations and government. This value difference is at the heart of the unequal relationship.

- government often sees social policy as subordinate to economic policy and views the agencies as carrying out a charity or residual welfare role. These community welfare agencies -- often operate out of a belief that economic policy should be subordinate to social policy and that often means being critical of government (Submission 27).

More clarity in the relationship with government and a clearer understanding of roles and responsibilities will lead to a better working relationship of equal partners. The sector itself must also look to co-ordination and cooperation if it is to negotiate successfully such a partnership.



## Chapter 4: The strategic change process

The previous chapter, which gave an overview of the submissions to the Industry Commission *Inquiry into Charitable Organisations*, outlined the difficulties community organisations faced in undertaking strategic planning. The chapters which follow will present four case studies of successful strategic planning within the sector. These case studies, based on four different types of community organisations, illustrate how the strategic planning process was undertaken despite these difficulties.

The strategic change process is mapped both from documentary sources - annual reports, brochures, promotional material, internal memoranda, reports and, more importantly, from interviews with, where possible, three staff members. These staff members are at different levels of the hierarchy and have all been involved with the strategic change. Interviewees were asked:

- what were the major strategic changes which had occurred in the organisation?
- how had the change had been initiated?

- what was the process used to implement change and its outcomes?
- if they had any suggestions for improvements in the change process.

Only exceptions to the above methodology will be specifically mentioned in the individual case studies.

## Case 1: Melbourne Citymission

Melbourne Citymission is a well established, religious charity which has tightened its organisational structure and introduced information technology to support the delivery of its services. It has adopted the terminology of the for-profit sector whilst retaining its strong religious commitment. It has combined new 'management speak' - unit costing, restructure, client focused needs and information technology, with frequent references to Christianity and the teachings of Jesus Christ as embodying the core values on which it bases its work.

### Information sources

In addition to the standard documentary sources, Melbourne Citymission had made a submission to the Industry Commission and attended the hearings in Melbourne.

McCulloch had also written several conference papers on the information technology used at Melbourne Citymission.

The interviewees were:

- **Don Saltmarsh** - the Executive Director. He has a long history in welfare and was in politics before coming to Melbourne Citymission. He was appointed Executive Director in 1986.
- **Pam McCulloch** - Manager Northwest Region. She came to the organisation in 1986 and initiated the introduction of information technology. Previously McCulloch was employed in the public service as a ministerial adviser.
- **Howard Huntley** - Manager Northeast Region. Initiated the case management of social services. He worked closely with McCulloch to ensure an appropriate fit of the new technology and the case management practice he introduced. McCulloch asked Huntley to join in on the interview.
- **Christine Ellerton** - Manager Family and Children's services (Northwest), a line manager under McCulloch. She is a social worker who has been with

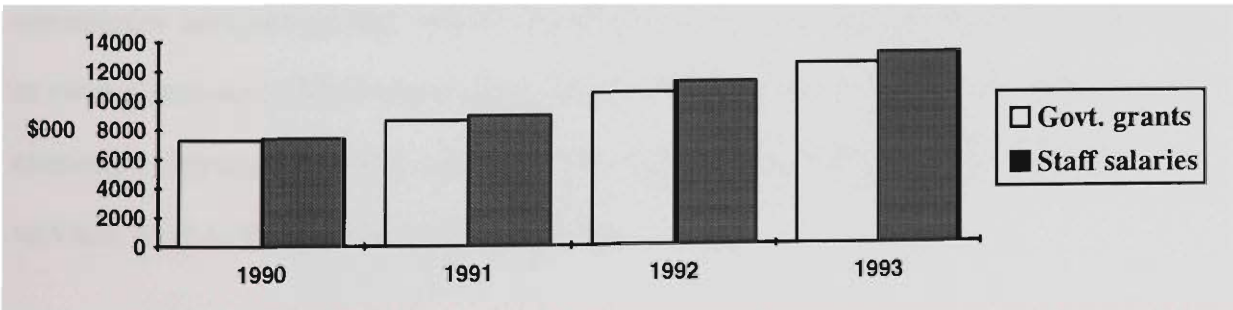
Melbourne Citymission for nearly four years. Initially Ellerton was a co-ordinator of a program and was then encouraged to apply for her present management position

### Organisational context

Melbourne Citymission is one of the 20 largest non-government welfare organisations in Victoria and is one of the 35, established before the turn of the century, which are still in existence (CSV 1990, p.1). Founded in 1854, Melbourne Citymission set up a spreading system of mission halls where people went to receive humanitarian aid. The missionaries were recruited from the various evangelical Christian denominations so the organisation has always been a non denominational Christian organisation (Howe & Swain, 1993). Today, Melbourne Citymission is one of the largest care and development agencies in Victoria. It delivers family casework and counselling services; child care, early intervention and other children's services, education and training as well as community development services; housing, intellectual disability, youth and community living services.

The agency has a staff of 581 full-time - 80% of which are women and 'innumerable volunteers'<sup>11</sup>. Figure 2 illustrates the considerable growth the organisation has experienced over the last four years.

Figure 2: Organisational growth - 1990-93



Source: Melbourne Citymission, *Annual reports*, 1991/92; 1992/93

<sup>11</sup>There were no figures available on the number of volunteers and this was the reply received from the Communications Division.

The organisation relies on government funding for 75% of its income (Industry Commission transcripts). These grants come both from State and Federal governments with the percentage varying according to which service is being funded. Generally the organisation receives about 60% of its funding from various State government departments and 30% from Federal sources (Interview: McCulloch).

## Environment

The organisation has felt the successive impacts of changes in government funding arrangements. The diversity of services offered has meant that the agency has had to cope with all the major changes in funding arrangements. Their aged services, disability services, children and residential services have all been progressively affected by altered funding conditions. Services have been closed and staff retrenched at the same time as new services have opened because of a successful funding applications. This has meant a turbulent environment for staff and the organisation. 'You have to be on your toes all the time' (Interview: Ellerton). Informants stressed that the changes in government policy were not a new development, nor based purely on the views of a particular political party. The move to contracting out of services had been developing for some time.

The economic recession has increased demands for services 'the needs of the community are even greater' whilst 'funding for a range of programs has been reduced or even eliminated' (Melbourne Citymission, *Annual Report 92/93*, p.5). The economic downturn has also meant that the Board is unwilling to carry debt so services have to break even or they are closed.

These elements in the organisation's environment - the need to tender for funding contracts, ever present examples of services which have been closed and the need for strict adherence to financial accountability, explain the enthusiasm the organisation

has for its information technology. This technology allows close cost accounting as well as efficient record keeping. Social workers, for instance, account for every five minutes of their time. This is a complete cultural shift for most workers in the community services sector. The environment, plus the agreement on underlying values, has meant this shift has been possible. All informants had strongly held views that quality client services were what mattered in the organisation and that the changes were a means to improving that end.

This client focus is evidenced in the way the organisation delivers its social services. Melbourne Citymission, like many other community service agencies, has altered the basis on which it delivers services. The old welfare / charity model of a professional social worker or charity dictating the type of aid the client received has changed its emphasis to empowering clients to express their needs so that they can effect change for themselves.

Once you were able to give them a food parcel or an emergency relief cheque and they would go off and say thank you. Now we have to negotiate (Interview: Ellerton).

Melbourne Citymission has used their belief in client focus and the changed view of social welfare recipients to institute a system of case management for their work. This system needs some clarification as it is central to the way the organisation delivers its services and is at the heart of the development of its information technology system - CSMIS (Community Services Management Information System). Saltmarsh explained case management at Melbourne Citymission to the Industry Commission as:

an integrated approach -- instead of giving one person the whole cartload of a particular service, we in fact make available, at the person's discretion, the type of service that is going to assist them.- [For example, the agency worked with a family of a girl in care and realised that] in essence the problem was tension -- because there wasn't enough room.-- The girl needed privacy. The solution was to add an extra room on the house (Saltmarsh, Industry Commission transcripts).

## Strategic change

The major strategic initiatives were structural change and the introduction of information technology to support the Melbourne Citymission case management approach to service delivery.

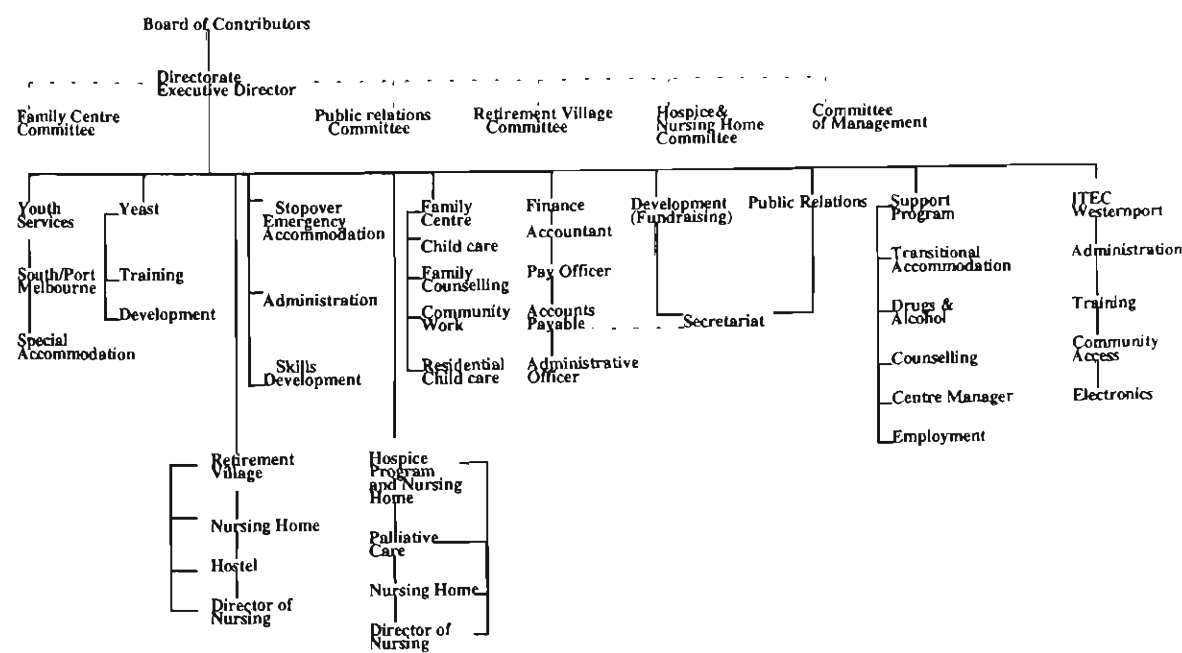
## Structural change

As can be seen in Figure 3, Saltmarsh inherited a complex organisational structure - especially in terms of the number of management committees. In 1988:

- it was a very disparate group and -- some of the services actually had a local committee of management. This effectively meant that they had two committees of management and enormous confusion as to which had responsibility for what (Interview: Saltmarsh).

Services operated separately from each other 'none of them saw themselves as being part of Melbourne Citymission' (Interview: Saltmarsh).

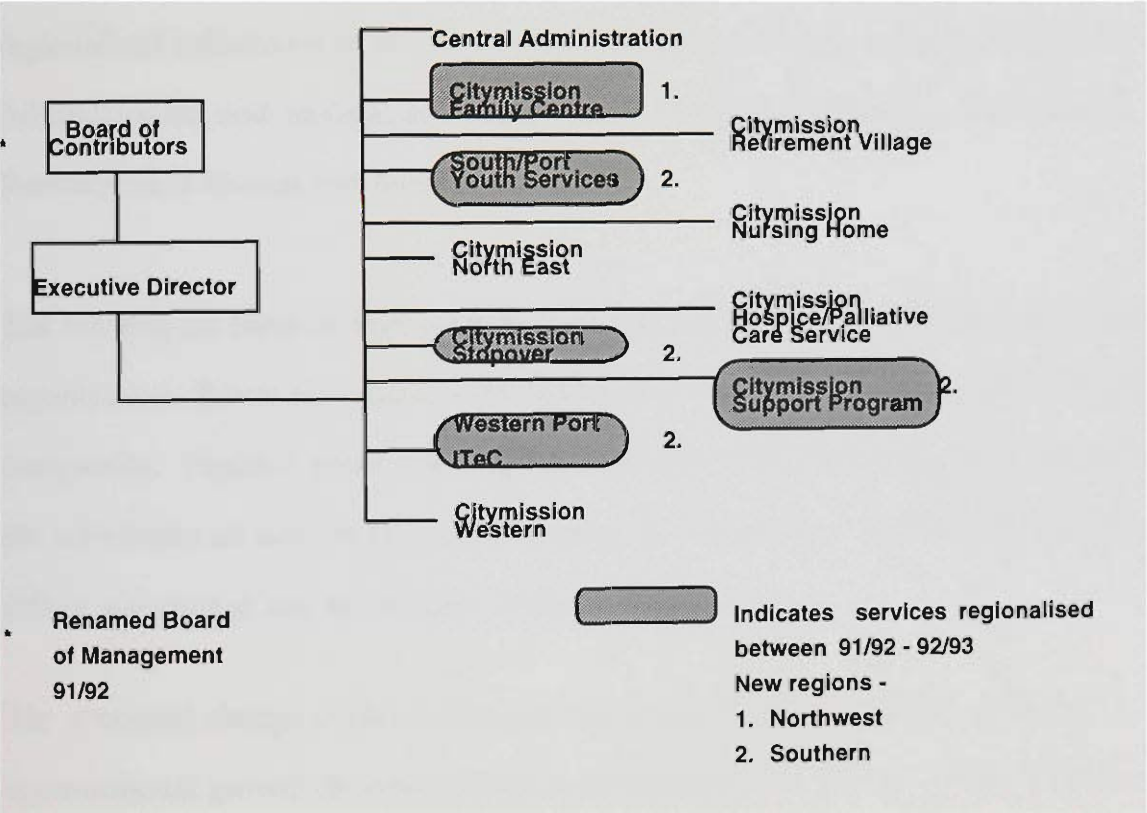
Figure 3 : Organisation Structure 1987/88



Source: Melbourne Citymission, Annual Report 1987/88

There was a need for a sense of cohesion. As executive director, Saltmarsh tightened the organisation structure. As can be seen in Figure 4, by 1989 he had eliminated the various committees of management and had began a process of regionalising services rather than having them exist as separate entities. He did this so that he could have 'a proper organisational structure with line accountability and responsibility' (Interview: Saltmarsh).

**Figure 4: Changes in organisation structure '89-93**



Source: Melbourne Citymission, Annual Reports, 87/88 - 92/93

This streamlined structure was reinforced by a campaign to establish Melbourne Citymission as a recognised organisation rather than a set of separate services. New corporate signage and logo were developed and work undertaken by Saltmarsh and senior staff on refining the mission statement (Interview: Saltmarsh).

The regionalisation of the organisation allowed for senior management levels to be developed and enabled services to diversify within a geographical region. McCulloch,



as one of the former service managers, saw regionalisation as an opportunity to implement change - 'the sort of services we had belonged to the last century'. She recommended that her service become a region (Northwest).

With the changed structure in the newly declared Northwest region, Ellerton became co-ordinator of Family and Children's services. The restructure has flowed through the organisation and created a three tiered management structure of Executive, regional managers and service managers. At the same time as services were being regionalised infrastructure services were centralised under the Executive Director. Administration now incorporates communication, fund raising as well as Finance, Personnel and Human resources.

The impetus for these change came from Saltmarsh who wanted more control on the organisation. It was also required by Melbourne Citymission's increasing size and complexity. Figure 2 shows this continued growth in the size of the organisation and the informants all saw the pressure to change as continuing. 'We have to constantly reflect and change and reconfigure' (Interview: Huntley).

The structural change evidenced in this case study fits with Greiner's model of organisational growth (Robbins & Barnwell 1989, p.334). He sees organisational growth as having five phases - creativity, direction, delegation, coordination and collaboration. Saltmarsh came at a stage where the organisation required direction but then also needed to delegate decision making. Part of this delegation, according to Greiner, is the design of 'internal control systems [which] monitor the decisions of lower level managers' and allows for the development of more coordination (Robbins & Barnwell 1989, p.336). This can be seen in the introduction of Melbourne Citymission's information technology. Saltmarsh saw it as necessary:

To reinforce that structural change we needed to introduce more planning around the core business [and] we needed to change the way the finances were managed. This new system was in terms of software, CSMIS. We

could [then] begin to get more pertinent data for each program [and] really make sure the services we were delivering were meeting real contemporary needs (Interview: Saltmarsh).

## Information technology

Testing and development of CSMIS (Community Services Management Information System) began in 1987. It was developed in cooperation with several other agencies and the programmers worked closely with Melbourne Citymission staff. CSMIS is an innovative application of information technology to case management. It is a client information system which goes well beyond straight financial and word processing functions. McCulloch, in a conference paper, outlines the system as offering:

- a case management system for all client records, word processing and cash management;
- collection of client data required by funding bodies (this is largely statistical);
- collection of client referral, intake, case planning, case note records and case termination data;
- the ability to relate staff activity with clients, other staff, travel and workers from other agencies to total costs incurred;
- the provision of secure (confidential to the client and the worker) and auditable data which can be used in court when necessary (McCulloch 1993, p. 545).

The new technology was introduced to give 'better and more quantifiable information [so that] we could not only offer a better service to our clients, we could use that data in our funding negotiations because we would have hard evidence of the outcomes as well as the real costs involved' (McCulloch 1993, p.550).

Whilst the structural change was rational / deliberate, the development of technological infrastructure was much more an emergent strategy. Interviewees spoke of it as being a question of timing.

The timing was right. It was the thrust of what was happening in government and the agency was developing its own computer systems. That has enabled us to maximise the radical government changes. Case management and computers allow you to accurately predict costs which facilitates contracting out. None of that was analysed (Interview: Huntley).

These two types of strategy - deliberate and emergent - are the typical combinations of the simple structure from which Melbourne Citymission developed. Mintzberg describes a simple structure as having:

little or no technostructure [i.e. staff analysts who design systems which form the basis for controlling the work of others], few support staff, a loose division of labour, minimal differentiation among its units and a small managerial hierarchy.

Within this structure, strategy is formulated solely by the CEO<sup>12</sup> and 'often amounts to a straightforward expression of personal beliefs' (Mintzberg quoted in Moore 1992, p.134-135). The broad vision is deliberate but the details, in this case the information technology, are emergent.

## **The change process**

The structural change and adoption of technology were both initiated internally through a 'transactive' process of strategic change. It is an example of 'a strategy driven by internal process and mutual adjustment' with top management empowering and facilitating this change (Hart, 1992, p.342).

[Saltmarsh] had a vision that we would deliver the best client services in the state. He was committed to the new technology on the basis of my commitment. He was visionary (Interview: McCulloch).

- it came from me but it also came from the way I believe that management should operate. You take the brakes off and allow staff to develop their visions and their skills (Interview: Saltmarsh).

Those behind the change process worked hard at involving new management layers and communicating Saltmarsh's vision of quality service. Monthly meetings of senior management with the Executive and annual planning meetings were instigated. The new line management positions were filled from within the organisation.

Stricter methods of employing staff and ongoing staff development and reviews were commenced. The change process was one based on clear communication of the core

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<sup>12</sup> CEO - Chief Executive Officer

business being quality client services. This clear statement built on the already present religious / social values in the culture of the organisation. The congruence of this view made it easier to communicate Saltmarsh's vision to staff. The human resources tools of appointing the right people and staff development and review ensured staff knew their role within this broad vision. The structural change allowed delegation and coordination which freed time for the executive to focus on long term planning and for communicating his vision to all levels of the hierarchy. The case management and information technology have been useful tools to ensure this vision is achieved and the values base retained.

### **Outcomes of change**

The change is viewed very positively by the interviewees. There is a great sense of achievement and feeling of security for the future of the organisation. McCulloch commented on the competitive advantage, Huntley on the control of cost factors and Ellerton on the better service professionalism (Interviews). All were satisfied that the changes made Melbourne Citymission more efficient and cost effective whilst improving client services.

There is also a sense of pride that the change has succeeded. As with any innovation or change there was some hostility directed at the organisation from outsiders.

Innovation carries risk (Kanter 1989). Saltmarsh became a target for anti-managerial sentiments in the welfare community. This has settled as the rest of the community realises the advantages of his methods.

Many years ago when I introduced unit cost, I was roundly abused by leading advocacy groups and umbrella organisations. Then within a couple of years they were ringing us saying 'heh can you tell us about unit costs?' (Interview: Saltmarsh).

With hindsight, interviewees commented that they would have approached the task of strategic planning more confidently. Saltmarsh also mentioned the need to re-educate the Board to keep pace with changes.

- we have quadrupled in size in the last seven years and diversified. The Board has not kept pace. The Board has become a constraining element. We have to educate the Board so that they are up there with the action and supporting the action rather than not understanding the action and hindering it (Interview: Saltmarsh).

This need reflects a trend Smith (1993) noted in America where government funding has increased the complexity of voluntary organisation and so has caused 'shifts of power within organizations away from the Board to the Executive Director (p.95).

## **Conclusion**

The tightened structure, clearer focus and improved information system have helped the agency negotiate the turbulence of its external funding and to cope with its increased size and diversity of services. Melbourne Citymission has undergone a strategic change which has given it a clearer sense of its own identity and direction. It has integrated its infrastructure to support client services with clearly stated and understood objectives based on the vision of quality client services.



## **Chapter 5: Royal Victorian Institute for the Blind**

Melbourne Citymission and The Royal Victorian Institute for the Blind (RVIB) have many similarities. They are both amongst the 20 largest non-government welfare organisations in Victoria and both were established before the turn of the century (CSV 1992, p.1). The external issues of the recession, new government funding arrangements and a change in the paternalistic 'charity'<sup>13</sup> model for the delivery of welfare services have all caused change in the operation and structure of these organisations.

The major impetus for the strategic change however was different. Melbourne Citymission achieved control and refocus by structural change, largely initiated by the Executive Director. It was his vision which shaped the changes. For RVIB however, the changes have been initiated by government policy. Under an altered Disability Services Act (the major mechanism for funding the disability sector) RVIB has been

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<sup>13</sup>Community organisations no longer regard themselves as charities who look after people but as empowering people to make changes for themselves.

forced to forward plan, to prioritise services and adopt new work practices (unit costing and agreed service plans).

The strategic change at RVIB resembles not so much the models of strategy formulation in the private sector but those in the public sector. Government has set the agenda and the public service, (in this case the community organisation), works out ways to implement those policies (Kingdon 1984). This case study illustrates the shift of community organisations into 'agents of the state. -- where non profit organizations expect to conform their operations to public purposes and priorities and to come under the partial control of public officials' (Smith 1993, p.84).

This case study of strategy formulation fits into Hart's 'symbolic mode'<sup>14</sup>. The mission of the organisation has been used to promote proactive change although the blueprint for that change - the budgetary requirements, methods of measurement and outcomes, have been set by government.

## Information sources

In addition to standard documentary sources previously cited, an RVIB commissioned Strategic Planning document was used. This document was produced by management consultants, Touche Ross (1989), for RVIB to comply with the terms of the Disability Services Act.

The Executive Director from 1990 to mid 1994, Peter Evans, had taken a leading role in instituting the changes in planning and communication processes. Evans was unavailable for interview as he has retired. Evans replaced an Executive Director who had been in that position for 20 years. The interviewees were:

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<sup>14</sup>**Symbolic** - The creation by top management of a compelling vision and a clear corporate mission (Hart 1992, p.336).

- **Len Stevens:** For the past 3 months he has been acting Executive Director. For the previous 8 years he had been head of Adult Services.
- **Leanne Thorpe:** Acting Director Adult Services (replacing Len Stevens). A teacher by profession and previously a manager in adult services for seven years.
- **Linley Wallis:** Chief librarian of the Talking Book Library. Employed at RVIB for 15 years. Promoted from cataloguing librarian.

## Organisational context

### The disability services sector

RVIB fits into the general pattern of the disability services sector. Community Services Victoria (1992) estimates that in Victoria, 30% of welfare resources are consumed by the disability sector and 'services are supplied by a few, relatively large organisations' (p.24). ACROD<sup>15</sup>, a peak council for disability service providers, said that 'Government provides about half the funds used in non-government disability services<sup>16</sup>' (1994, p.9). RVIB receives 46% of its funding from government (RVIB *Annual Report*, 92/93).

ACROD estimates 73% of its members with income over \$200,000 have business activities of some kind. The RVIB has several, including RVIB Enterprises, the business arm of the Employment Services Department. 'Such activities provide clients with a wage and income supplement to the pension and can also be significant sources of funds for other client services' (ACROD 1994, p.12). RVIB regards their employment services as a core business (along with the Library) which, not only assists in training clients for employment, but also generates income.

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<sup>15</sup>National Industry Association for Disability Services

<sup>16</sup>In ACROD's survey of its 600 member organisations the average amount of government funding received was 53% of income.



The changed Disability Services Act affected the whole disability sector. Lyons uses it as 'evidence that government used funding power to force significant changes on charitable organisations' (1994, p.86). ACROD still resents the intrusion of the Act calling it 'a 'beat-up' of Government in the role of the reformer - Government was the 'good guy' and the providers were the 'bad guys' (1994, p.21). Certainly, given the feelings of the interviewees in this case study, ACROD is justified in feeling misrepresented. Whilst interviewees felt the Act had forced change they were also enthusiastic about its principles. The organisation really made a commitment to the Disability Services Act and implemented it with enthusiasm (Interview: Thorpe).

## Overview of the organisation

The Royal Victorian Institute for the Blind (RVIB) was formed in 1866 as a school for blind children. It evolved into a complex series of services which provide assistance for clients from the cradle to the grave.

The range of assistance offered includes advice for the parent of a newly diagnosed blind infant, to a middle aged person needing support in the workplace, or an older person who is experiencing sight loss due to the ageing process and is in need of assistance around the home or the services of the Talking Book Library (RVIB *Annual Report* 1990/91, p.7).

In 1992-93 the RVIB had an income of \$12.973M (million) of which \$6.030M was from Government sources. Fund raising, largely from bequests, raised \$5.395M. RVIB currently employs 310 full-time equivalent staff (25 of whom have a vision impairment) (RVIB *Annual Report*, 1991/92). There are also 3,000 volunteers who 'on average -- give 3 to 10 hours of their time per week' (RVIB *Services Booklet*, 1994).

RVIB has a high level of professional staff employing teachers, librarians, social workers, counsellors and rehabilitation staff. It is very much a professional bureaucracy (Mintzberg 1983). Mintzberg defines this structure as 'where specialists

exercise control over their own tasks -- [and] work with a degree of independence from their colleagues but closely with their clients' (p.192). This structure perhaps explains the difficulty the organisation had with departments acting separately.

Touche Ross (1989) found that there was:

- little interaction between departments on a structured or formal level. Co-operative activity and communication - occur[red] in an ad hoc manner and [was] dependent upon the good-will and initiative of individual staff members (p.60).

This separateness of units and the previous availability of money did assist the organisation to be innovative, despite its bureaucratic form. The annual reports list an impressive range of innovations in service provision for the blind and interviewees cited the organisation's historic debt to innovative people:

We have had some really dynamic people. Change has been instigated by them. We are here today as the result of those mavericks (Interview: Thorpe).

The professional bureaucratic form and its close client relationship also assisted in forging the strong link between the organisation and consumers. This link was reinforced by the Disability Services Act but has always been a feature of the organisation.

[Consumers] have always had a strong role in the development of the organisation and its services. There has always been consumer participation. -- very strong core of blind people identify very closely with this place. Virtually anyone who was born blind in this state has been through this place (Interview: Stevens).

## **Strategic change**

The Disability Services Act (DSA) was passed in 1986 and came into effect in 1987. The RVIB, by 1992, had to demonstrate that it had a Transition Plan in place and had made significant progress in the implementation of this plan to ensure support from the Federal Government under DSA. RVIB hired management consultants Touche Ross to develop a forward plan for the organisation. The Act made clear that future

services for the disabled must be outcome and consumer need-oriented and must be able to demonstrate tangible 'addition of value' for the consumer. This necessitated either some re-modelling of services, or at the least a re-interpretation of services in these terms, if the RVIB was to continue to receive funding.

The organisation's need for a forward plan meant that in some ways the Touche Ross strategic plan represented strategy as 'ploy - a manoeuvre to outwit an opponent' (Mintzberg, quoted in Moore 1992, p.132). Certainly the organisation did not implement the altered structure suggested. However RVIB did better define its objectives in terms of the Disability Services Act (DSA), rationalise services, get together its management team, reorientate its services to comply with the DSA and reinforce its relationship with consumers.

### **The change process**

The reality of the changes needed by the Disability Services Act forced different departments to communicate.

-- Now we are all governed by Service Agreements and other departments need to understand the restraints and restrictions that are placed on services - why you can't do something that someone else wants you to do for someone receiving services from their department (Interview: Stevens).

This better communication was reinforced by the Executive Director (Evans) who was 'particularly team focused', 'a people person' (Interviewees). Under his direction communication was improved by the circulation of all departmental minutes, E-Mail and a new staff newsletter. As well the organisation instituted *ad hoc* and specially constituted committees. These committees are used to formulate draft policies which are then widely discussed within the organisation before being formally approved.

We have found that if we impose things on staff they just get alienated. [If] the staff own the policy and then they are more likely to do it (Interview: Thorpe).

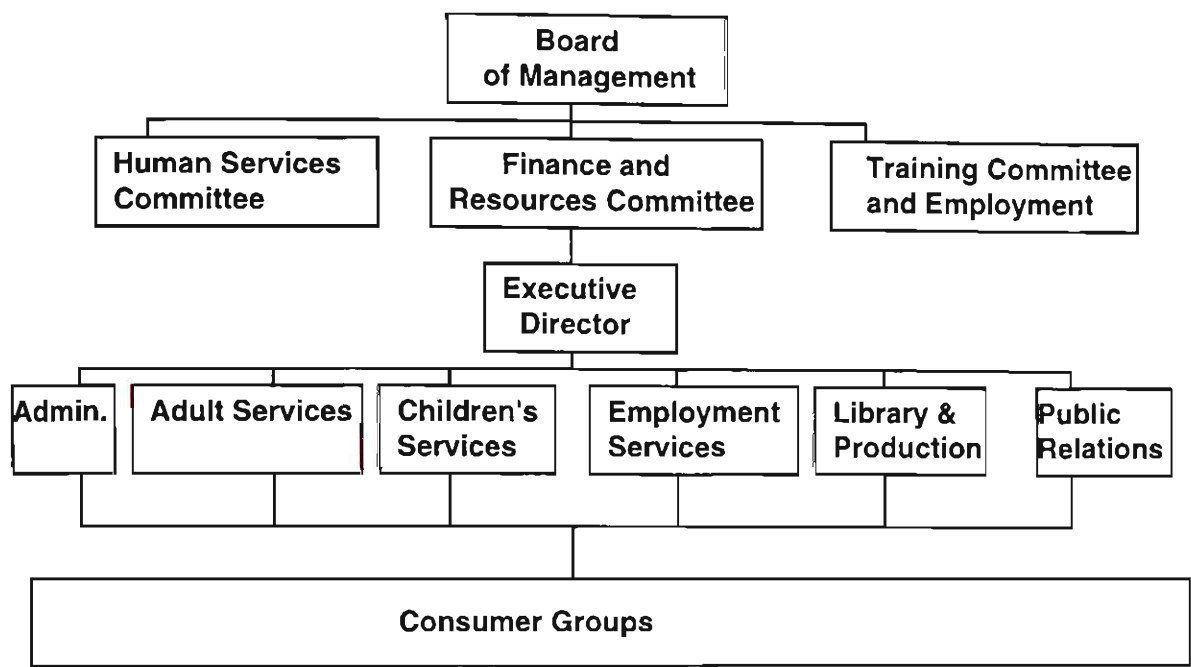
In addition to better communication the organisation has a clearer planning process. All departments have prioritised their services in view of possible funding cuts and drawn up agreed goals. The principles of the DSA have become included as part of the mission statement of the organisation and all job descriptions include a request that staff be familiar with the provisions of the Act and that they agree with its principles.

Innovation within the organisation has been sustained by encouraging an entrepreneurial attitude. The proceeds from the sale of land owned in Burwood has been used to set up the RVIB Trust. Staff can apply to the trust for special projects (not for administration) - 'without that we couldn't have purchased this building [for the Talking Book Library]' (Interview: Wallis). Entrepreneurship is rewarded internally by the mechanism of the Trust and externally by the government funding services which meet its criteria.

Consumers are now formally represented in the structure of the organisation (see Figure 5). In 1991-92 consumer committees were established 'in accordance with the Disability Services Act -- ensuring greater input from blind and vision impaired people' (RVIB *Annual Report*, 1991/92). Consumer groups work with each department (except Administration) to:

- advise on policy and service delivery issues;
- exchange information between staff and consumers (RVIB *Services Booklet*, 1994)

**FIGURE 5: RVIB organisation chart**



Source: RVIB Services Booklet, 1994

Consumers are also represented on the Human Services and Training and Employment Committees (as are staff and Board members). This introduction of committees is in direct contrast to Melbourne Citymission who, in their strategic change, eliminated the management committees. There the management committees were perceived as being divisive to the notion of a single organisation with clear accountabilities and decision making. The RVIB committees, being more inclusive of major organisational stakeholders, are seen as useful means of decision making, consensus building and as ways of involving and informing Board members of the complexities of the organisation (interviewees).

The representation of consumers was congruent with the existing culture of the organisation. Consumers, for instance, are already strongly represented on the Board of Management. The President is blind, as are seven other members of the Board (RVIB Annual Report, 1992/93).

This cultural congruence and commitment of staff to the client group has assisted the input of the consumer groups to be valued. They are regarded as important focus groups where decisions about changes can be ratified.

The head of the consumer group and I talk about every second day. [Issues discussed are ] policies, booklets, course committees. They are involved in staff selection. -- it works really well and I think in the future they'll have a bigger say (Interview: Thorpe).

Wallis finds the consumer groups a good sounding board for trying out service changes and has found them 'really useful' (Interview: Wallis).

## **Outcomes of change**

The organisation has had a chance to use the DSA as an opportunity to reflect on its own practices. The changes have made 'staff more involved, committed and they communicate more' (Thorpe) and RVIB 'more business-like' (Stevens) and goal oriented:

We are now forcing ourselves to look at these goals and see if we are moving towards them or wasting our time (Interview: Wallis).

## **Conclusion**

The strategic changes have reinforced the mission of the organisation rather than altered it. RVIB has had to adjust to new accountability guidelines and implement changes in its work practices. The change has been congruent with the values and culture of the organisation, even though government initiated. RVIB has become more 'business-like' but this may have occurred even without the intervention of government given the new Executive Director and the needs of any organisation to re-focus and review operations. The DSA has given RVIB an opportunity to reflect:

- many of us don't reflect on what we have. It really made managers stop and say what have we got, does it meet minimum outcomes, what do we have to put into place. So it made us stop, which was good (Interview: Stevens).

The important issue now is to ensure that business does not dominate values.

Management in the organisation now requires a mix:

If you are a human services person but can still understand the bottom line of the business that's okay, if you are a human service person and can't see the bottom line then that's not okay, nor is it okay if you're a business person who can't understand the special needs of our clients (Interview: Stevens).

Strategy formulation at RVIB has been both strategy as 'ploy' and a method of consensus building. These methods have been found in other professional bureaucracies. Langley, in her study of a large hospital, found that planning in this context is a highly participative activity serving three purposes. The first was 'public relations', (RVIB had to show itself as the 'good guy' in regard to DSA), second, 'informational for the purpose of self knowledge and input of strategic vision' (RVIB's committee systems and priority setting) and thirdly as 'group therapy: consensus building, communicating and legitimizing of strategic vision' (Langley quoted in Mintzberg 1994, p.408).

## Chapter 6: Alternative management structures and strategy formulation



The final two case studies in this series are a kindergarten and a women's health information service. They represent much smaller organisations with much less diversity in service provision. Both function with management (or decision making) structures which operate by consensus building and they have used participatory methods to formulate strategy. These two organisations can be characterised as being 'community managed'.

Cases 3 and 4 operate in a different environment from cases 1 and 2. As highlighted by Stone (1993) the larger community organisation:

- is hierarchically ordered -- and oriented toward conformity with rules and regulations -- [the smaller] grassroots and advocacy organizations are



more loosely structured around interpersonal relationships -- where member ties express an ideological and emotional orientation (p.22).

The members of the kindergarten management committee (except for the Vicar) are parents whose children use the service. They act both as manager and client of the service. Healthsharing Women's Health Resource Service operates on a strong feminist ideology of women's right to access health information.

### Case 3: St Andrew's kindergarten

St Andrew's is located in a pleasant, closed off street in Clifton Hill (an increasingly gentrified inner city suburb of Melbourne). It is located in a refurbished building behind an historic Anglican church and is surrounded by well established trees. Until this year's rescheduling of kindergarten sessions it had, for several years, been struggling to achieve the attendance numbers required to receive funding. It has successfully undergone a change in program and now 'has to turn people away'.

#### Information sources

The nature of the organisation - the changing membership of its management committee and informality, meant that it was not possible to build up a formal historical charting of the kindergarten's progress through annual reports. The documentary sources used were the Management Committee's minutes, *Parent's booklet* and *KPV Newsletter* (Kindergarten Parents of Victoria).

Interviews were undertaken with:

- **Susan Rowland:** Secretary, Management Committee. Works part-time and has two children who have attended the kindergarten. She was the initiator of the questionnaire.
- **Helen Moore:** Parish and 3 year old group representative on Management Committee. Mother of three children, two of whom have attended the kindergarten. Assisted Rowland in collating the results of the questionnaire.
- **Anna Gaskill:** Kindergarten Director. She has been a teacher for three years and at this kindergarten for two of those years. This is her first placement as a Director.

## Organisational context

Community Services Victoria (1992), estimated that there were 819 non-government organisations in the state which provided preschool education (p.91). The majority, (31.5%), were formed between 1971 - 1980. This subsector employs some 3,578 staff of which only 71 are classified as 'management and administrative staff (p.65). A third of these organisation have less than 4 staff members (p.18).

St Andrew's is marginally larger and older than this general pattern. It is thirty years old and employs 7 staff members. All administration is done by volunteers on the Management Committee. Its main funding (as for all preschools) is from the Victorian government's Office of Primary Care. Apart from this income, kindergartens rely on the fund raising efforts of their parents, fees and the goodwill of their auspicing bodies.

St Andrew's uses Anglican church property in exchange for undertaking minor repairs (the Church has responsibility for major repairs), paying ongoing utility costs and having the involvement of the Vicar and church community on its management committee. St Andrew's is fortunate that they have a good relationship with the church. The vicar is an active committee member and the Church has also recently financed<sup>17</sup> the refurbishment of the kindergarten.

St Andrew's is community managed and is run:

- by a Management Committee which is in charge of the day-to-day running of the kindergarten. It is elected at the Annual General Meeting held in December each year and consists of parents and community members interested in the kindergarten. The local priest at St Andrew's Anglican Church is automatically on the Committee and attends when possible (St Andrew's Kindergarten, *Parents Booklet*, 1993).

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<sup>17</sup> The Church paid 75% of the costs and the kindergarten 25%.

This Committee usually meets on a monthly basis in the evenings and 'consists of about a dozen people including a Chairperson, Secretary, Treasurer, Fundraising and a Newsletter Convenor as well as a representative from each group' (St Andrew's Kindergarten, *Parents Booklet*, 1993).

The kindergarten provides programs for children from approximately 18 months to 5 years of age. It runs a play group for 18 months to 3 years, a three year old kindergarten and a four year old program.

## Strategic change

In 1993 the Victorian Government contributed on average \$1051 per child in a kindergarten. In 1994 it reduced this amount to \$800. Not only did the government reduce its funding it also withdrew its services as administrator. Effectively four year old kindergartens went from part of the public service bureaucracy to being self managed businesses. The kindergarten committee's notice to parents summed up the change:

This year, and in past years, the government support of the kindergarten has been:

- payment of the teacher and assistant;
- a \$2,600 operating subsidy;
- superannuation for the teacher and assistant;
- Workcover contributions of all our employees;
- payment for relief teacher when teacher or assistant ill.

For 1994 we will receive \$800 for each eligible child, and the Committee of Management must perform all the paymaster functions. There will be no operating subsidy' (*Parent notice*, 23rd June 1993).

Faced with the shortfall in funding the Committee saw it as:

Our challenge is to ensure 50 children commence in February and maintain 2 full groups and maximum funding (*Letter to Sherryl Garbutt*, shadow minister, 7 August 1993).

If it could not get the numbers the kindergarten faced steeply increasing fees, declining participation and eventual closure. The government's changed funding

arrangement acted as a spur to resolve the issue of dwindling numbers. All interviewees said they had previously been aware that the kindergarten hours didn't suit many working parents. Without the threat of closure the Management Committee may never have gathered the energy to undertake the intensify amount of lobbying and consensus building involved in the change process.

## **The change process**

The process was very political. Parents and the KPV (Kindergarten Parents of Victoria - a kindergarten advocacy group) furiously lobbied government for concessions. It was therefore important that consensus amongst parents be reached on any change implemented.

The change in government funding arrangement raised several ideological issues. The first of which was the separation of government from the provision of service. This separation is referred to as contracting out (Gain 1994) and is seen as an expression of public choice theory (Self 1993). Public choice theory has it that individuals are better able to provide for themselves than government. This theory leads to voucher systems where providers are funded per user of a service and the government has an arms length relationship to the provision of that service.

The other ideological issue was the division between 'education and child care'. Since 1976 the Commonwealth government has withdrawn its funding to individual preschools. It has continued giving a dwindling block grant to the states (Brennan 1994, p.101). Parents in the preschool had to battle to both ensure the survival of the preschool by allowing longer sessions and ensure that its constituent community, previously highly committed to sessional kindergarten, could be convinced the change did not erode the quality of education of their children.

The Management Committee, following the advice of the KPV, decided to issue a questionnaire to parents at the kindergarten and those on the waiting list to see what session times were preferred. A duly appointed sub committee of parents prepared a questionnaire which was sent to 60 parents. The first response was used to collate options.

When it was obvious a change was necessary, members of the subcommittee lobbied parents who wanted traditional session times. They sought to enrol support from potential opponents before conflict arose. This emphasis on consensus echoes the decision making style Lindblom's attributes to the public sector. The 'test of a 'good policy' is typically --agreeing on the policy without their agreeing that it is the most appropriate means to an agreed outcome'. Lindblom also sees that 'value goals and empirical analysis of needed action are not distinct but closely intertwined' (Lindblom quoted in Moore 1992, p.164). Certainly in the final selection of session times the Management Committee had to resolve who they were there to serve and whose needs came first in the juggling of space and times:

- it came down to the kindergarten exists for the 4 year olds. They are the group that provides most of the funding. -- There are other playgroups [but] weren't any other 4 year old kindergarten in Clifton Hill. The others just had to fit in (Interview: Rowland).

The Kindergarten Director was present at the Management Committee meetings and she felt she acted as an expert resource for them. She had experience in an extended day kindergarten and so could reassure parents that this was not detrimental to the children. It was her decision that group sizes not exceed 25 children. (The Government allowed for groups to be up to 30 children).

After the Management Committee agreed on the possible options the parents (and those on the waiting list) were again circulated a questionnaire to gauge opinions on

the final option. Results were again collated and final changes ratified by the Management Committee.

**The outcome**

The Management Committee finally opted for the times listed in Table 4.

**TABLE 4: New session times**

<b>Toddler Group</b>	Monday	2 pm - 4pm
<b>Three year old Group</b>	Wednesday, Fridays	1.30 pm - 4pm
<b>Four year old Group</b>	A Group, Monday, Wednesday, Friday	9 am - 1pm
	B Group Tuesday & Thursday	9 am - 3.45pm

As can be seen Group A still resembles the traditional sessional kindergarten. The outcome satisfied the majority of the kindergarten community. Fees were increased to \$120.00 per term whereas previously they were \$60.00. Teacher contact hours increased from 20 to 24 hours per week.

The change was successful in that the kindergarten started the year with the required numbers and all groups now have a waiting list. The future of the kindergarten is assured. It has finally been forced to resolve an issue that had been there for some years. As summed up :

St Andrews is lucky in that we have a Director who is willing to be flexible, and who is not at the top of the salary scale! We are also lucky in that we have a Committee of Management mainly composed of professional women who have the skills and expertise to be able to respond to the changes (*Letter to Sherryl Garbutt*, shadow minister, 7 August 1993).

The Committee now has to take on an increased work load and responsibilities, work which some parents find 'intimidating' (Interview: Moore). St Andrew's is fortunate to have very skilled professionals on their committee. (The Treasurer, for instance, is an accountant.)

## Conclusion

The kindergarten runs on the commitment of its parents and staff. The Director regularly puts in extra time at night and on the weekend as well as attends, with no pay, monthly committee meetings. This voluntarism relies on a high level of goodwill and cooperation. The introduction of additional administrative burdens on the Management Committee could endanger this good will. 'What happens if the Treasurer forgets to pay me.-- It will be difficult to smile politely and greet her and her child properly' (Interview: Gaskill).

This case is an example of government's use of the community management model to 'indiscriminately deliver community services without regard to whether community management is appropriate for these services' (Nyland quoted in ACOSS, 1994 p.35). It shows a lack of acknowledgment for the needs of administration and infrastructure support. The continued functioning of the kindergarten completely relies on the voluntarism of the parents, their skills and the teacher's willingness to be flexible.

## **Chapter 7: Strategy formulation and a feminist structure**



### **Case 4: Amalgamation - Healthsharing Women and The Women's Health Resources Collective.**

The amalgamation of these two women's health information services was precipitated by government directive. The planning process undertaken demonstrates a concern for participation and inclusion. This concern directly reflects the strong feminist ideology of the services.

As with the kindergarten (case 3), the strategic change involved the engagement of ideological debate. The kindergarten argued the value of preschool education and worked hard to ensure its survival. These women's services have likewise striven to preserve feminist principles within a new organisational structure.



## Information sources

Comprehensive records were kept of the amalgamation process. It was possible therefore to look at a range of documentary sources - various steering committee minutes, annual reports from both organisations, letters, consultant's reports and policy papers, as well as staff meeting minutes.

Interviewees were:

- **Sonya Tremellen:** Research worker, also assists with bimonthly newsletter.
- **Margaret Howell:** Librarian and information systems.

Both interviewees were from the former Healthsharing Women. They had been involved in the amalgamation process both by attending major planning days and by being on different amalgamation sub committees. No member of the former Women's Health Resources Collective was available for interview.

## Organisational Context

Weeks (1994) list 23 specific women's services in Victoria. These community organisations provide a range of services for women - from health and legal information to providing support in situations of domestic violence (p.xviii). These services mainly started in the last 20 years, the majority since 1980 (Weeks 1994, pp.19-30).

Feminist principles are opposed to traditional management structures which are concerned with 'handling, direction, control' (MacDonald 1993, p.2). MacDonald identifies a number of principles involved in feminist management. Some of these are that it be:

- non-hierarchical;
- value processes as much as outcomes;
- based on consensus and / or collaborative decision-making model;
- share power equitably among all individuals affected by management decisions;

- acknowledge conflict between participants and attempt to work through it in a group (MacDonald 1993, p.2).

Feminist writers view the incorporation of 'private sector' management techniques into community services as the 'masculinisation' of social work (a traditionally female area of work) which has:

- resulted in social welfare work becoming more concerned with managerialist issues such as improving efficiency, expanding technical resources, being cost-effective (Dominelli and McLeod 1989, p.140).

This emphasis on efficiency is seen as being at the cost of the quality or value of the service. Weeks (1994) sees government bureaucracies trying to 'mainstream' women's services into general services and thus not acknowledge them as 'unique and essential services' (p.1).

Before the amalgamation, Women's Health Resources Collective, Healthsharing Women and Women in Industry & Community Health were the 3 state-wide health information services in Victoria. Since 1991, their funder had been requesting that they ensure their services did not overlap and that they consider amalgamation (HSW / WRC / HDV<sup>18</sup> *Meeting Minutes*, 1991)

Women's health services receive funding under a mix of Commonwealth and State funding from the National Women's Health Program. This funding is administered centrally by the Department of Health and Community Services (Victoria) and is for a 4 year term. Annual renegotiation of the individual Health Services Agreement have to be undertaken by each service so that agreed service outcomes and performance indicators can be finalised.

The relationship to the funding body is not seen as problematic:

we have strongly worked towards our independence from the department so its quite a formal relationship. Our input into the agreement comes

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<sup>18</sup>HDV: Health Department of Victoria

from our constituencies rather than being informed by directives from the department -- but we have to work within more and more constraints (Interview: Tremellen).

The funding body can sometimes also act to prompt service initiatives.

[It] keeps us advised on their statistics -- like there are more women dying from heart attacks than breast cancer [so] what are we doing about a program on prevention of heart disease (Interview: Howell).

The funding body in January 1993 insisted on an amalgamation of the three state-wide services by June 1993. It set a caveat that the amalgamated service not be managed as a collective.

## **The two organisations**

### ***Women's Health Resource Collective (WHRC)***

WHRC opened in 1983 with a shopfront and health information service. It was established as a response to:

health care [being] delivered by experts with patronising and stereotyped views of women -- [By 1991 it had developed into a] specialist service producing and distributing women's health information resources -- [which] uniquely combine a high level of technical skill with expertise in participatory processes to produce health resources which speak directly to women (WHRC *Annual Report*, 1991-92).

WHRC had 5 part-time staff who had the co-ordinating responsibility for resource development, design and production. They received from government an income of \$250,000 for 1991-92 and earned \$20,000 in income from the sale of resources.

The management structure was styled as a collective. Weeks (1994) sees collectives as a 'conscious political action to develop an alternative to the hierarchy of patriarchal relationships' (p.134). A collective is 'non-hierarchical and reflects feminist values -- by providing a work environment where ideally power, participation and wages are equal' (Ristock, quoted in Weeks 1994, p.134). WHRC had a two tier collective - a wider collective and a workers' collective. The wider collective was open to all interested women (including workers) and was 'responsible for decisions on policy,

finance and wider management issues'. The workers collective, which met weekly, looked after 'day to day management issues and is accountable to the wider collective' (WHRC *Pamphlet*, 1988). Workers in the collective were paid equally and worked under contract to the wider collective.

### ***Healthsharing Women (HSW)***

HSW was established in 1987 as a result of a group of women (some of whom had previously been associated with WHRC) successfully applying for a tender to establish a statewide women's health information service<sup>19</sup>. HSW operated a telephone and drop in service which provided information to health providers and to individuals. HSW also conducted training for health professionals and allied health care providers and monitored and evaluated issues to do with women's health.

HSW had 14 positions including a coordinator, 3 training and development staff, a librarian and library support person. The budget was \$487,000 for 1991-92 and the service had an income of \$55,000. This income was raised from running seminars and training sessions (HSW *Annual Report*, 1991/92).

The management structure was based on participatory decision making. The 'responsibility for decision making will be shared, consensus is preferred, but [a vote] provides for majority decisions (HSW *Policy Paper*, 1992). Unlike the collective, which required total agreement of all members on decisions, HSW could resort to a vote to resolve a deadlock.

## **Strategic change**

The two organisations amalgamated on July 1993 and took the name Healthsharing Women's Health Resource Service (HSWHRS). HSW basically retained its delegated

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<sup>19</sup>WHRC did not apply for the tender. 'By staying separate from the two new funding offers we see a funded future for three services instead of two' (WHRC *Pamphlet*, 1988). They succeeded in getting the three services but never garnered the resources of HSW.

decision making structure and incorporated the resource production and distribution areas from WRC. No members of the wider collective joined the new coordinating committee. The new organisation suffered a 17% funding cut, but this was part of an overall cut in the health budget rather than targeted at the new organisation. The collective structure has disappeared.

The new organisation's structure (see Figure 6) is modelled on HSW's participative decision making ideals. Workers meet in a weekly workers' meeting where issues are raised and decision making initiated. If issues require further work they go to a delegated focus group where a policy is formulated. (These focus groups also act as *ad hoc* co-ordinating committees for special events such as conferences etc.) The workers also have a Staff Association which functions as a shop floor committee with workers discussing industrial issues which can then go to sub committee or coordinating committee.

After the workers' meeting agrees to a new policy / initiative it goes to the relevant subcommittee 'who basically hold the purse strings'. The structure has a coordinator who manages day to day operations.

The co-ordinator in this service is meant to have a light touch -- you have highly skilled staff who only need their efforts co-ordinated across the organisation (Interview: Howell).

The co-ordinator goes to workers' meetings and sub committee meetings as well as coordinating committee meetings. The coordinating committee is:

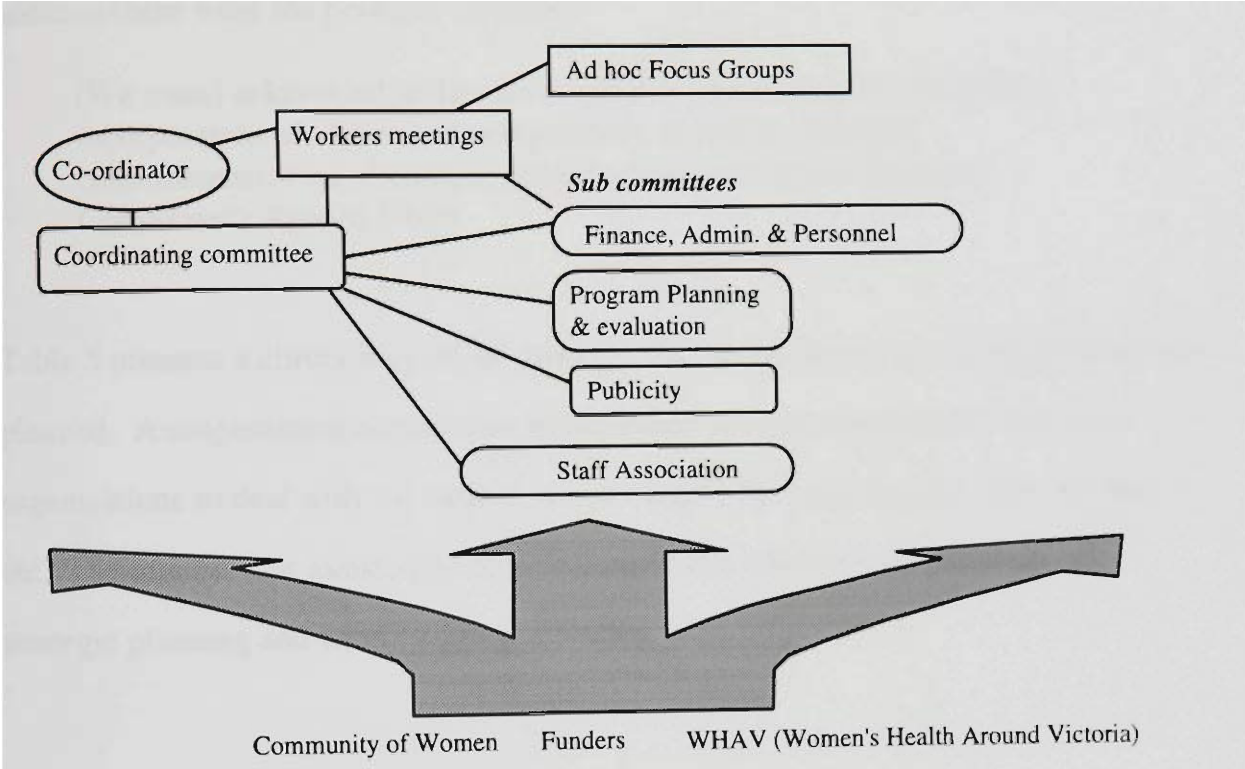
elected from the community of women, (and includes the coordinator and worker representative), makes public statements, signs official correspondence and receives complaints (HSW *Policy Paper*, Feb. 1992).

The structure is connected to the outside community (or their stakeholders).

HSWHRS feels they are answerable to the community of women for their actions and

all new funding proposals are coordinated through WHAV (Women's Health Across Victoria).

FIGURE 6: Organisation structure



Source: Amalgamation Steering Committee Minutes and Interviews

The planning priorities now emerge from more inclusive planning sessions. These involve workers primarily but also coordinating committee members and other stakeholders:

- we broadened [planning day] to a search conference with members, others stakeholders, other organisations we have relationships with - so that we had a broader process of setting priorities and plans of the future (Interview: Tremellen).

## The change process

The change process was very involved. It heavily committed workers to over a year of frequent meetings. The amalgamation of the two organisations was complex. The new organisation required a new building, new name, new health service agreement, new constitution, new committees and renegotiation of worker's conditions. In addition there were the personal anxieties.

[We must] acknowledge the loss of identity, dissolving of boundaries, incorporation of values and perspective's of others, changing commitments, loss of control, loss of resources (Carole Hamilton, *Consultant's Report*, 1993).

Table 5 presents a chronology of the process. As can be seen it was intensive and well planned. Amalgamation committees were formed with representatives from both organisations to deal with the various issues - legal / financial aspects, new building etc. The process was assisted by outside consultants who undertook a range of strategic planning and team building activities.

TABLE 5: Chronology of amalgamation process

<b>February</b> 1993	Consultant Carole Hamilton hired. Undertook consultations with both organisations and facilitated a planning day. She produced a strategic plan for the new organisation. This was used to satisfy funders that progress was being made. Both groups realised amalgamation was inevitable but decided to look at other models for the new organisation.
(4/2/93)	WICH (Women in Industry & Community Health), the third organisation for the possible amalgamation, withdraws and seeks other options. WICH has so far avoided amalgamation.
26/2/93	WHRC & HSW send letter to Regional Director H&CS outlining amalgamation plan.
<b>April</b> 29/4/93	Workshop HSW & WHRC. Outcome - the formation of an Amalgamation Steering group with representatives from both organisations. Representatives are to have delegated decision making.
<b>June</b> 2/6/93	Amalgamation finance/legal working group formed
15/6/93	3 workers at WHRC take redundancy. Only 2 workers left in the Collective and 1 member of the wider collective
<b>July</b> 1 July 1993	Letter to Health Department Victoria outlining new organisation
1/7/ 1993	Draft new employment contracts. Not accepted by workers.
27/7/93	Team Building - Rosemary Crumblin, outside consultant facilitates a session which offers an opportunity to express some current stresses and fears about the amalgamation and the current economic/political climate.
<b>August</b> 21/8/93	Planning Day with Kerry O'Neill, outside consultant. Session to cover 'who we are and what we do now, clear planning proposal for agreement, name, structure, areas of new service'. Basically a SWOT (Strength, Weaknesses, Opportunities and Threats) exercise.
28/9/93	Amalgamation finalised - name changed to Healthsharing Women's Health Resource Service Incorporated
<b>December</b> 1993	Service moved to new building
<b>11 March</b> 1994	Official Launch of new service



## **The outcome**

The amalgamation was a success in the sense that the organisation survived as a feminist service with delegated decision making. The former Women's Resource Collective seems to be unhappy about the final outcome which, perhaps considering the differences in size of the organisations and the loss of its distinctive decision making structure was inevitable. The collective structure is a very much 'purer' and desirable feminist management form. Throughout the amalgamation HSW staff were aware of the delicate nature of what they were asking of WRC:

We could hear their anxieties. They were being asked to change more than we were. They were being asked to lose more (Interview: Howell).

## **Conclusion**

The amalgamation process was handled as a cultural change. Involvement of all workers was essential. The collective's unhappiness can be seen in terms of it not accepting the new culture of delegated decision making.

The process of amalgamation of HSW and WRC was very carefully planned to be inclusive. The emotional as well as the structural issues were addressed. This process, given WRC's present discontent, may appear to have failed. This view however does not acknowledge the ideological / political climate within which these organisations operate. HSW had to be 'seen to be doing the right thing' (Interviews) by WRC or it would have jeopardised its credibility with its supporters. The collective was a more 'likeable' form for the feminist community (Interviews). Strategy formulation within this arena has to be very process oriented. The process being seen as correct is more important than the outcome.

It is too easy to try and nominate this organisation as an adhocracy which Mintzberg and McHugh (1985) see as being 'where outputs are unique and experts are housed in specialized units, but are redeployed in teams for specialized projects' (p.161). They

found this structure tended to 'emergent' strategies rather than rational. In the case of HSWHRS the strategy was very deliberate.

This case and case 3 (the kindergarten) demonstrate some distinctive qualities of community organisations. Both organisations operate non hierarchical structures with ideologically committed people. Change has to be seen to be coherent with this ideology and is not undertaken lightly. Strategic change, for these smaller organisations, has been precipitated by crisis. For these small organisations strategy formulation necessarily involved consensus building. Kemp (1990) sees this need for consensus as a 'unique feature of non profit organisations especially as these organisations can utilise non hierarchical processes to help achieve consensus on issues and problems' (1990, p.205).

Strategic change, in all the case study sites, involved some goal reformulation. The kindergarten had to include 'child care' as well as education into its program, HSWHRS had to abandon the collective structure. This goal reformulation also occurred in the larger organisations but the variety of services offered and the complexity of the organisations made this readjustment less obvious - Melbourne Citymission had to clarify its mission statement, RVIB had to add commitment to the Disability Services Act to its mission statement. The next chapter will take a broader view of the implications of strategy formulation and the reinforcement of mission within community organisations.

## Chapter 8: Broader considerations - the context of change

In order to give these findings a broader perspective interviews were undertaken with several experts in the area. These experts represent a government point of view, that of a practising CEO (outside of the case studies) and a detached observer whose recent retirement has removed him somewhat from the scene. The interviewees were:

- **David Green:** For the last eight years Assistant Director, Aged Services Development Branch, Health and Community Services, Victoria. Previously worked in the non- government welfare sector.
- **Michael Challen:** For the last three years Executive Director of the Brotherhood of St Laurence. An Anglican Bishop with a wealth of experience in community organisations both in Victoria and West Australia. Formerly president the Victorian Council of Social Service<sup>20</sup>.
- **David Scott:** Recently retired Chair of the Victorian Land Conservation Council, an independent body established to allow public participation in reviewing the uses of public land in Victoria. Previously established

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<sup>20</sup>A Victorian peak social welfare body.

Community Aid Abroad (CAA) and was Executive Director of the Brotherhood of St Laurence (1970-1980).

The interviewees were informed of the case study results and asked about three broad areas of concern:

- What is the present relationship between community organisations and government?
- What is the role of strategic planning within the sector?
- What is the future or long term outcomes of the change in the community services sector?

## **Relationship to government**

All interviewees agreed that the relationship between community organisations and government had fundamentally altered. Community organisations have become 'the agents of the state' (Scott) and 'extensions of government departments' (Challen).

Green points out the essential differences in this new relationship:

The old style approach where effectively government entered into partnership with a non-government organisation -- where year after year they would receive a certain amount of money and be block funded --. That has gone. [It is being replaced] by establishing the job, going out to the market and finding out what happens. Bit by bit, area by area contracting, competitive tendering is the process' (Interview: Green).

This altered relationship is not seen as a problem 'if the organisation wants to be a service provider and nothing else' (Interview: Challen). Concerns are that this altered relationship will cause large organisations to prosper and become more bureaucratic and less independent. Their 'infrastructure will take over the mission of the organisation' (Challen) and as major service providers 'they will be constrained in their criticism of government' (Scott). The reformist, critical role of community organisations will be diminished. There will be a split in the sector between organisations which are primarily service providers and those which fill the 'other' role seen as so important by all informants. 'Effectively some organisations will become

the contract arm of the state and their civic, voluntarist elements will fall away' (Interview: Green).

The reason this reformist element will 'fall away' is that government will only pay for services. It will not pay for what Green sees as 'added value'.

- should the government pay for the *esprit de corp*, for that extra value added area characterised by the local committee. There has been a strong consensus on what the theorists call policy failure with respect to the highly interventionist, hands-on government. -- Why should the taxpayer pay for a ideologically or value driven orientation? (Interview: Green).

To maintain independence, community organisations will have to subsidise their 'value' by raising income themselves (Challen, Scott). Smaller organisations will find this difficult.

Smaller community organisations are also disadvantaged by the financial and reporting mechanisms imposed by government funding. These are so onerous 'even professional people are having trouble meeting these requirements' and these mechanisms are:

terribly demotivating - for volunteers. So personally I'm very worried about the interaction between government and this type of community organisation. I don't think it matters so much for the Brotherhood of St Laurence or Melbourne Citymission but extremely important for small organisations that have everything to do with community building (Interview: Challen).

Certainly, in terms of the case studies, all the organisations have been forced to readjust to the new relationship with government. It has however been a more threatening adjustment for the smaller organisations.

## **Role of strategic planning**

In referring to strategic planning and changes in the relationship to government all interviewees mentioned that the sector had needed a shake up. As was seen in the two

larger case study organisations, they had reached a stage of development where strategic change was very useful in reinvigorating their structure.

Scott deplores the tendency to treat the sector as above criticism and its isolation from management expertise.

There is an assumption that a non-government organisation is made up of good people doing good work in an efficient way. It's almost unthinkable to criticise the Brotherhood or the Salvation Army or churches. Yet they need as much constructive criticism as anyone else (Interview: Scott).

Community organisations need to use strategic planning. It is seen as a way to both successfully handle the changed environment and an opportunity to 'regain mission after a period of some slippage. -- because a lot of decision making has been *ad hoc*' (Interview: Challen). Green commented that 'a very lazy approach has developed - a very comfortable and secure relationship with government -- and lets face it some of the disability organisations provided some of the worst services' (Interview: Green).

Whilst interviewees saw the need for more strategic planning, their views differed on the outcomes of such planning. Green saw strategic planning in the sector as a competitive tool to assist organisations in the new market driven environment:

Organisations that can plan, that do have a strategic sense, can prosper -- change is the issue and if you are ahead of play then you are going to be strategically placed to win contracts (Interview: Green).

Scott took a more cooperative view on strategic planning. He saw the need for the whole community services sector - both government and non-government, to form a strategic plan for integrated services. That should:

-define more clearly the respective roles of government and non-government organisations. Within that non-government organisations should be required to work out their part in that and how to achieve their objectives (Interview: Scott).

Challen saw strategic planning as a way to get in touch with the 'values base' of the organisation and ensure that what the organisation undertakes 'resonates' with these

values. Strategic planning, within the community sector, is not simply about competitiveness and winning contracts. The case studies of Melbourne Citymission and RVIB show that this does matter but strategy formulation is also about achieving coherence of outcomes with mission.

Blockages to strategic planning are seen as a lack of management expertise amongst community sector staff and hostility to managerial techniques. Many organisations in the community sector are headed by people who had risen through the ranks and who are not 'necessarily good managers or planners' (Challen). There is also:

- a feeling that people from the profit or government sector just wouldn't understand the particular values of the non-government sector. I think that's wrong. There are plenty of people that can help the sector achieve its goals (Interview: Scott).

Green agrees that the sector lacks expertise and is hostile to managerial skills seeing them as 'agents of the devil'. As pointed out by Stevens (RVIB), to work in the community sector now requires some knowledge of 'the bottom line'. The combination of understanding costs, performance measures, contracting and tendering with human service skills is a challenge which the sector must face.

Strategic planning is also impeded by the complexity of what is to be measured in terms of organisational effectiveness. It is not 'just the price you sell the product and the profit you make' (Scott). Community organisations have goals which are much more difficult to assess and there needs to be some development of criteria for efficiency and effectiveness (Scott). The 'empowering process' undertaken by community organisations 'can have very little to do with what the state government wants' (Challen). Green, whilst acknowledging this difficulty is still impatient with it:

-- professionals in the human services seem to think that what they are doing is so precious it's like a leaf falling on the ground. It is so delicate -- you can't ask me to be at work at 9 o'clock, you can't ask me to demonstrate that this client has a better life position - that they are better, more literate -- because my art is such a gentle science. -- Out here people

literally say to us 'just pay us \$2 million a year and trust us'. There has to be a middle ground (Interview: Green).

Finding that 'middle ground' requires more than the use of management skills. It also requires government being amenable to negotiation on outcomes.

Interestingly, given the findings of the case studies that community organisations emphasise consensus building, both Scott and Challen mentioned the problem consensus decision making presents community organisations when they undertake strategic planning.

-in non-government organisations there's a sense that everyone should have a say in planning and decision making. -- Unless the rules of participation are clear an enormous amount of energy is dissipated in meddling in other people's business (Interview: Challen).

[This consensus means] organisations can drift into goal displacement and be diverted into all sorts of other things that can do with means rather than ends and its difficult to get change agreed to (Interview: Scott).

Consensus and participation were evident in the strategy formulation processes of the case study sites. It is a feature of the sector which requires careful handling and certainly decision making and participation are issues which should be resolved before community organisations consider undertaking strategic planning.

## **Future of the community sector**

Interviewees agreed that there will be a growth of straight service providers who do not necessarily have to come from the non-government welfare sector. Green stresses 'that government is neutral as to whether service contracts go to private, commercial, quasi government or non-government organisations'. This focus on service provision 'is not a bad thing' (Scott) and certainly Green, from his experience of contracting out in aged services has found:

The representatives of these new commercial organisations are more professional and have a great deal of commitment to customer service. The customers are saying this is better, we are getting a better service (Interview: Green).



The problem areas are the weaknesses in the contracting system - too many departments, too many forms for the organisations to deal with and the short term nature of these contracts. Green sees that market forces will adjust these problems which he agrees are 'crazy'.

- contractors are going to become more powerful, and they are going to turn around and say get your act together-- and government will. It will have to because the providers will run the services (Interview: Green).

Assuming government and the community sector work out an equitable market driven relationship, the question remains what happens to the reformist role which is so involved in the *raison d'etre* of many community organisations. Does it become like a religion where if a group wants to practice a type of ideology it has to support the activity? Green sees our 'civil effort' as having to be 'directed to much more esoteric issues like solidarity, mutuality, support and participation and politics' rather than service provision. The other two interviewees however saw a connection between providing services and a 'prophetic' voice, a connection between being close to service users and picking up emerging needs which have to be catered for in innovative ways not too closely defined by government contract.

## Conclusion

The community sector is an area where strategic planning can play a role to enhance an organisation's focus on what their desired future is and what means can get them to that end. It is a methodology which can be used to seek ways to acquire independent sources of funding, to achieve structural efficiency, competitive advantage and cooperative alliances.

Community organisations, however, if they wish to retain their reformist role need to monitor their planning so that it doesn't divert from the achievement of the

organisation's mission. A focus too closely on efficiency may be at the cost of an organisational structure which is inclusive, motivating and more able to be flexible. Undertaking strategic planning however is necessary. Community organisations need to gain the management skills to undertake it properly. Strategic planning is a better tool for reinforcing mission than relying on *ad hoc* decisions.

## **Chapter 9 : Conclusion**

### **Industry Commission Inquiry**

The Inquiry showed the great diversity amongst community organisations. There exists both large organisations rivalling the size of state bureaucracies and very small community organisations run completely by volunteers. Strategic planning was undertaken by 27% of organisations making submissions to the Inquiry. It was mainly undertaken by large community organisations using strategic planning as a tool to control growth.

The dependence of the community sector on government funding discourages strategic planning. Its relationship to government is characterised by short term funding, lack of consultation and onerous reporting. In addition the sector undervalues and lacks management skills. To improve strategic planning, the community sector needs to build a more equal relationship with government which clarifies roles and responsibilities. It also needs to cooperate within the sector to better lobby for this improved relationship and to enable the development of improved management skills related to planning for human services.

## The case studies

The case studies showed that government funding did have a direct impact on strategic planning. All but the first case study site were forced to change by outside agents (in one case the Commonwealth and in two the Victorian government). This impact was greater for smaller community organisations whose existence was threatened by funding changes or altered conditions for that funding. These smaller organisations used strategic planning as crisis management and formulated strategy using group processes and consensus.

For the large, well established community organisations, which delivered a complex range of services, the way strategies were formulated (in response to external threat and to retain competitive advantage) and implemented (top down leadership, restructure, improved communication) were patterns familiar to for profit organisations. These two larger community organisations became more recognisably 'business-like' with clearer costing structures and hierarchies.

The concern in the literature is that this 'business-like' growth will cause community organisations to lose their mission, autonomy, and undergo 'devoluntarization' into more bureaucratic structures (Kramer 1994, p.49). For these two organisations this fear appears exaggerated, especially given their history. They have not lost sight of their mission nor do they appear to have lost their independence (anymore than occurs through their dependence on philanthropy). The organisations have grown in size in response to the availability of funding but both were large bureaucracies beforehand. They have both successfully acted as a whole organisation to focus their change on a desired outcome. This desired outcome was improved service for their clients. They have streamlined their structures to make them more responsive to this mission.

In terms of Hart's integrative framework for strategy processes, the most common methodology used in the case study sites was the 'transactive' mode. This mode is

'driven by internal process and mutual adjustment' (Hart 1992, p.334). RVIB was 'symbolic' because it was basically told what to change by government but was able to structure the change around its mission. Both these models, transactive and symbolic, ensure the involvement and commitment of staff.

Miles and Snow developed a strategic behaviour typology. Along half of the scale are proactive behaviour types - the 'prospector' and the 'analyzer'. The prospector is the innovator or entrepreneur and the analyzer adapts or adopts innovations (quoted in Bryson 1988, p.257). Hart sees the transactive and symbolic modes of strategy process as being used in 'analyzer' organisations. Analyzers are concerned with not only strategic effectiveness (as are 'prospectors'), but also with operational efficiency. Given the environment in which the case study organisations operate it is reasonable to expect them not take innovation (a high risk strategy) as the chosen path. Neither though have these organisations taken a 'defender' or 'reactor' path which, at the other end of the scale, resists change and often overlooks opportunities.

In terms of generic strategies adopted - differentiation, cost leadership or focus (Drucker 1964, Porter 1980, Devlin 1989) these organisations have adopted focus. Focus, according to Porter (1980), is a strategy type which aims at a particular customer group, segment of the product or service line or geographic group. The adoption of this strategy type has allowed for the retention of mission and values within these organisations. Adoption of other strategy types may make it more difficult for mission to be retained, although they may be called for, as the environment changes.

## **Broader issues**

Interviews with 'experts' picked up many of the threads contained in the case studies and the submissions to the Industry Commission. Government is no longer interested in community building, or the particular values expressed by community

organisations. It presents a restrictive market forces, provider - supplier split on the provision of community services.

This is not necessarily a bad thing if the sector recognises that it has to change, that in itself it has harboured inefficiencies and can learn from management techniques. The sector can form strategic alliances, pursue strategies of product differentiation and cost leadership but if these strategies replace human centred mission, these organisations risk becoming simply 'contractors'. Ideally community organisations should use strategic planning with their mission as goal and outcome. But strategic planning is not enough. Lobbying and political debate must also be used to broaden government's definition of service provision.

The sector must also build on strategic planning as a measure for building cooperative alliances. The boundaries of community organisations, with their multiple stakeholders and community based services, are broader than profit organisations. Cooperation rather than competition can be pursued productively in the sector when using strategy formulation. It is also important for the sector to lose its suspicion of management as a discipline and use it as a tool which can be used to productively assist human service organisations achieve their goals.

### **Areas for further research**

Within the literature in the community sector there is a focus on coming to terms with the new relationship with government - how to apply for contracts (Gain 1994), performance indicators (Mayo, 1990). Whilst equipping oneself to compete on these terms seems sensible, it would also benefit the sector to more fully investigate the possibilities of strategic cooperation rather than competition. The community sector has a long history of forming peak bodies but not of actually undertaking joint services. Further research into the limits of organisations within the community sector would be useful. In the management literature authors such as Limerick and

Cunnington (1993) are investigating the way collaborative opportunities can be used to form strategic alliances. The community sector can benefit from this type of research.

In addition cross disciplinary studies on decision making processes and planning would be useful between community organisations and management schools.

Management can learn from community organisations the ways they utilise group processes for decision making and develop commitment from staff. Community organisations can benefit from management's organisational view and accountability frameworks so group processes can be tempered with delegated decisions.

# Appendix: Checklist used to collect data from Industry Commission submissions

## Checklist

No.of submission	State	Type	Target	Missio n	St. Plan	Service Pts	Staff	Vol.	Commercial Venture
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1. Number assigned by Industry Commission.

2 State:

State	
Vic.	1
NSW	2
QLD	3
ACT	4
NT	5
SA	6
WA	7
TAS	8
Aust-wide	9

3. Type

Hospital	1
Community health service	2
Specific health interest group, most commonly disability group	3
Aged residential and community care	4
Housing	5
Social services	6
Employment and Training	7
Peak Body	8
Child welfare - adoption, foster care, substitute care, family counselling	9
Emergency relief, income support	10
Advocacy, Referral, Information group	11
Legal Service	12

Values can be combined eg. peak body for social services - 86



4. Target group for services

Children	1
Aged	2
Youth	3
Families	4
Men	5
Women	6
Homeless	7
Individual specific eg. drug dependent, migrants	8
Non specific	9

5. Mission

Religious	1
Legal	2
Medical	3
Community Managed	4
No answer	999

6. Do they mention strategic planning

Yes	1
No	2

7. Service points - enter a number if list. Otherwise:

no number but obviously many	997
no number but some	998
no answer	999

9. & 10 Staff / Volunteers  
Here is entered a value if they state.  
Otherwise:

Yes - but no number mentioned	998
No answer	999

11. Commercial activities eg. op shops?

Yes 998

No 999

Types if listed

op shops 1	
Card Shops	2
Sorting Depot	3
Food	4
Sheltered workshop / employment training	5
Aged care for profit	6
Training	7
Franchise shops	8
Gambling	9
Accommodation	10

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