

**Managing non-profit organisations:
Towards a new approach**

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Abstract

This paper puts forth the thesis that the management of non-profit organisations is often ill understood because we proceed from the wrong assumptions about how these organisations operate. Based on this premise, this paper develops a model of the non-profit form as a conglomerate of multiple organisations with multiple bottom lines that demand a variety of different management approaches and styles: a *holistic conception* that emphasises the diversity of orientations within and outside the organisation; a *normative dimension* that includes not only economic aspects but also the importance of values and politics; a *strategic-developmental dimension* that sees organisations as evolving systems encountering problems and opportunities that frequently involve fundamental dilemmas; and an *operative dimension* that deals with the everyday functioning of organisations. In a third part, the paper presents the basic contours of an analytic approach that tries to accommodate the distinct management challenges faced by non-profit organisations.

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1 Introduction

The topic of this paper is as difficult as it is challenging. It is difficult because the paper can but scratch the surface of some of the major issues involved, and can, therefore, only superficially deal with some of their implications for our understanding of non-profit management theory and practice. It is challenging because the paper speaks against much of the conventional wisdom of standard management books on non-profit organisations; and accepting the major thrust of the argument presented here would ultimately call for a reappraisal of how we think about non-profit organisations and their management.

Several caveats are called for at the very beginning. First, several authors have written on the need to revisit the focus of non-profit management, and the major thrust of the argument developed in this paper owes much to their insights about the role of non-profit organisations in the United States and Europe (see, for example, Handy, 1988; Billis, 1989; and Hudson, 1999). Likewise, organisational theory and normative management approaches inform much of what this paper proposes (Powell and DiMaggio, 1991; Gomez and Zimmermann, 1993; Kanter and Summers, 1987; and Perrow, 1986). Yet the paper proceeds from the assumption that current management and organisational theories have not fully come to terms with a simple question: are non-profit organisations sufficiently distinct from both business firm and public agency as to require separate management models and practices?

Trying to answer this seemingly simple question leads to other, equally challenging ones: is non-profit management a variation of business management? Is it closer to public management and administration? Or do we in fact find that the management of non-profit organisation is distinct from both, requiring models that fit neither the corporation nor the public agency?

Of course, these questions assume some agreement of what non-profit organisations are, and how to define them. Like all organisations, non-profit organisations vary much in terms of mission, size, mode of operation and impact, particularly in a cross-national sense. Some are closer to the model of a government agency; others may indeed resemble the business firm; and yet others may be little more than an informal network. These variations notwithstanding, however, there is an emerging consensus among researchers in the field that non-profit organisations have the following core characteristics (Salamon and Anheier, 1997):

- *Organised*, i.e. possessing some institutional reality, which separates the organisation from informal entities such as families, gatherings or movements;
- *Private*, i.e., institutionally separate from government, which sets the entity apart from the public sector;
- *Non-profit-distributing*, i.e., not returning any profits generated to owners or equivalents, which distinguishes non-profits from businesses;
- *Self-governing*, i.e., equipped to control their own activities which identifies those that are de jure units of other organisations; and
- *Voluntary*, i.e., being non-compulsory in nature and with some degree of voluntary input in either the agency's activities or management.

With this definition at hand, we can then ask if the non-profit form is intrinsically associated with distinctive features that lead to characteristic behaviours and outcomes. In fact, many writers have made such claims: Kramer (1981) sees the essence of voluntary agencies in their dual functions as value-guardians and service-providers; Hudson (1999) and Paton (1996) identify the value-orientation of non-profit organisations as their essential feature; Tonkiss and Passey (1999) suggests that trust and voluntarism are at the centre of non-profit organisations. Billis (1989) sees ambiguity as the essence of most non-profit organisations; and Lohmann (1989) finds that the notion of the commons is the key to understanding this type of organisation.

The problem is that each of these suggestions is valid, at least to some extent and for some non-profit organisations, but not others. Some non-profit organisations reveal Kramer's functions, while others do not. Some are value-led or value-based, while others operate without any explicit value system or ideology. Others are at most marginally based on notions of voluntarism, and may involve no volunteers at all. And even larger non-profit organisations are not essentially ambiguous in nature, as Billis suggests (1989); and yet others contribute little to Lohmann's commons (1989). It seems that we have to look deeper. In this context, the arguments developed in this paper rest on a premise, which in its simplest formulation states that:

The management of non-profit organisations is often ill understood because we do not understand these organisations well, and it is frequently ill conceived because we operate from the wrong assumptions about how non-profit organisations function.

In addressing this premise, one has to keep in mind that in the past, "management" was often regarded as a "bad word" in the non-profit world, as a practice at odds with what some regard as the essence of the sector: voluntarism, philanthropy, compassion and a concern for the public good. What is more, some analysts regarded non-profit organisations as trivial and inconsequential (Perrow, 1986, pp. 172-173). In recent years, however, we have been witnessing almost the opposite trend. Non-profits have become a major economic force (Salamon et al, 1999), and non-governmental organisations have turned into important political actors (Meyer et al, 1997; and Lewis, 1999). In this process, many non-profit organisations have come to embrace the language, the management practices, even the culture of the business world, particularly in the United States, but increasingly

also in Europe. Why and how did this happen? And why do non-profit organisations and non-profit management often remain not well understood?

While a full answer to these questions is beyond the scope of this paper, there are four issues that appear most important for our concerns. They range from the obvious to the subtle, and from the simple to the complex.

2 The issues

2.1 The liability of newness

Let us first look at the obvious answer, entitled “liability of newness”, to express the tendency of new models and techniques to encounter initial difficulties and problems that are largely associated with inexperience and unfamiliarity (Freeman, Carrol and Hannan, 1983).

The non-profit sector in industrial countries has become a major economic force. In the 22 countries studied by the Johns Hopkins Comparative Non-profit Sector Project, which includes the US, the UK, France, Germany and Japan, the non-profit sector employed on average five per cent of total employment (Salamon et al, 1999). In addition to paid employment, moreover, non-profit organisations in the 22 countries have the equivalent of 10.4 million full time employees as volunteers. Adding these to the total would increase non-profit employment to 7.1 per cent of total employment in these 22 countries. What is more, much of the non-profit sector, while rooted in age-old principles of charity, voluntarism, philanthropy or sociability is of fairly recent origin in terms of its economic weight. In fact, in most countries, the non-profit sector is a product of the last three decades, fuelled by expanding social welfare legislation, demographic and cultural shifts, increased prosperity, and a changing role of the state (Ben-Ner and Gui, 1993). Salamon et al (1999) found that relative to its size, the non-profit sector has contributed significantly to employment growth during the 1980s and 1990s.

Against this background, we could assume that non-profit organisations are discovering management because they are no longer the trivial and inconsequential organisations Perrow (1986) wrote about in the 1980s. They are now large and important enough to matter economically and politically, both as organisations and as a sector. And we could conclude that non-profit management is ill understood because it is still fairly new. Over time, one would hope, our knowledge will increase and management practices will improve accordingly.

2.2 The copy-cat principle

The second answer to our question is subtler. In contrast to the liability of newness argument, which stresses current inexperience and the long learning curve that lies ahead of non-profit organisations, the “copy-cat” thesis emphasises the way in which management has been “discovered” by non-profit organisations. We should keep in mind that the non-profit sector has experienced decades of growth in relatively stable political environments, at least in EU countries and the United States.

Importantly, non-profit sectors have been less subject to business cycles and the “ups and downs” of the market. Indeed, few industries can look back to such long periods without major shake-ups and upheavals, both economically as well as politically.

Yet things are changing, and they are changing rapidly. Many non-profit organisations are facing greater uncertainty, particularly in the financial field, as government budgets are being cut back and as non-profit organisations are being asked to shoulder more responsibilities (Deakin, 1995). The reasons for greater emphasis on management may then be found in the more precarious revenue situation facing many non-profit organisations, especially those that, in the past, relied on dependable government support to a large extent. Thus, non-profit organisations have to deal with something they are not used to: uncertainty.

Organisations in distress look for outside models they perceive as successful and promising (DiMaggio and Powell, 1983). It is a copycat behaviour quite common in the business world and in government. In the cultural and political climate of 1990s, “successful” models are more likely assumed to be found in the more self-confident world of business than among governments that have grown insecure about their role in society. Non-profit organisations, therefore, look more to for-profit corporations and commercial enterprises for management tools and models in the hope of finding solutions to real or perceived financial challenges.

This focus on business management is different from what happened in the past, when the public agency was often seen as the organisational model closest to the non-profit form. A typical consequence of such past behaviour was the “state orientation” of non-profit organisations, particularly in continental Europe. It led to the “quango-isation” of the sector by turning non-profits into quasi-public institutions, albeit without the legitimacy, democratic control and authority enjoyed by state agencies. Are we now seeing the commercialisation of the non-profit sector – albeit without the profit motive that drives businesses?

Given that the source of uncertainty for non-profits is initially and primarily seen in the area of financial resources, it is, therefore, not surprising to see that management of non-profit organisations frequently means *financial* management. In the past, the financial models came from government

accounting, and indeed many non-profit organisations in Europe still follow “camaralist” accounting principles. Today, by contrast, financial models are imported or copied from the business world (see McKinney, 1995). It means first of all improved financial accountability and reporting, concern about taxes, efficiency concerns in activities that are easily measurable and quantifiable, and – the growth industry in the non-profit world during the 1990s – the adaptation of fundraising and other practices to diversify revenue.

The emphasis of non-profit management as *primarily* financial management has profound implications for non-profit organisations. Financial management views organisations quite abstractly and as insular entities that can be measured in terms of inputs, outputs, costs and revenue, assets and liabilities. We rationalise the operations of organisations using the frame of reference of corporate accounting, yet we do so with one major handicap: non-profits cannot fully copy business practices. In for-profit organisations accounting is not only about costs *per se*; to the contrary, its primary purpose is the establishment of internal and external prices that businesses can charge for goods and services. In other words, financial management is the management of costs *and* revenue for-profit maximisation. Yet what is the equivalent in non-profit organisations? Because they do not maximise monetary profits, and pricing of non-profit services typically and primarily reflects administrative prices and cost considerations, financial management in non-profit organisations is often little more than cost controlling and cost cutting.

Of course, it is certainly important to contain costs. Nonetheless we have to ask “cost control for what, and for whom?” In the business firm, it is not difficult to answer these questions: there, we economise on costs because we want to maximise returns to owners; for non-profit organisations, the matter is more complicated and involves aspects of equity, service to the public good, value considerations, compassion, among others.

Financial management is first and foremost formal management, not management of purpose and mission, i.e., those very aspects that are the *raison d’être* of non-profit organisations. The copying of business models and practices into the world of non-profit management has – for better or worse – made inroads via the financial route primarily, and less so on other, equally legitimate avenues. There is nonetheless a more fundamental issue involved: the applicability of the business management model in the first place. This is the issue to which we now turn.

2.3 What’s the bottom line?

Indeed, after this more subtle reason for the frequent misunderstanding of non-profit management, allow me to make one simple point: with a certain irony one could question the concern much of current non-profit management attributes to financial matters. Assuming that the *raison d’être* of non-profit organisations is *not* money, why focus on it so much? Money – or financial resources

more generally – are a means and not the end for non-profits; and, as suggested above, by adopting management models and practices that emphasise the monetary bottom line, we may lose sight of what non-profit organisations are truly all about. And whatever that may be, it is not money. But what is it? Or with Dennis Young's (1983) memorable title, we could ask: "If not for profit, for what?" What, ultimately, is the bottom line?

Significantly, conventional management approaches seem to operate from the assumption that non-profit organisations have no bottom line. Indeed, Peter Drucker once suggested that because of a missing bottom line, non-profit organisations would be in greater need for management than for-profit organisations, where performance is often easier to measure and monitor (Drucker, 1990). Yet Drucker misses a fundamental point: the management challenge is not that non-profit organisations have no bottom line at all, the problem is that they have several, and some would say "sometimes too many." A non-profit organisation has several bottom lines because no price mechanisms are in place that can aggregate the interests of clients, staff, volunteers and other stakeholders that can match costs to profits, supply to demand, and goals to actual achievements.

In the for-profit world, we have market prices for goods and services linking sellers and buyers, wages linking employers and employees (collective bargaining), profits linking shareholders and management, and taxes linking the firm with the general public represented by government. Of course, there are many imperfections in the way such prices are established and brought to market. What is important to see is that at least in principle, all these prices can coalesce into one monetary bottom line. Indeed, prices are the basic medium in transaction costs economics, and the economic explanation for the existence of organisations as a response to market failure (Williamson, 1975). Prices as a medium of information for internal and external activities are either lacking, incomplete or set according to either administrative cost considerations or some proxy to market prices. What is more, in contrast to government, non-profit managers do not typically have the legitimate authority to set terms and prices outside the narrow realms of their organisation. The result is that several rationales, or bottom lines, operate in non-profit organisations. Of course, not every non-profit organisation will have two, three or more such bottom lines; the number will depend on the purpose and structure of the organisation. Yet management approaches need to be sensitive to the tendency of non-profit organisations to have multiple bottom lines, and that it may be frequently difficult to judge which ones are more important than others. Such bottom lines are presented by:

- The *dual management structure* of many non-profit organisations, where operating procedures are the province of executive officers, and the overall governance vested in the hands of Boards; often the Board emphasises the mission of the organisation – and not the financial bottom line alone, as in the case of a shareholder board; by contrast, management focuses on operational aspects and financial matters in running the organisation;
- The complex *motivational structure* of staff, volunteers and stakeholders, and the interplay between altruistic and egotistical goals;

- The complex *organisational environment* in which non-profit organisations operate and the accordingly often different expectations and motivations held by core constituencies (e.g., the culture of local volunteer organisations versus the demands of the national unit managed by professional staff);
- The interests and needs of *clients* who may not be in a position to reveal their preferences (e.g., people with disabilities, children and older people) nor able to pay prices that cover the cost of service delivery; and
- The frequent *importance of values* and deeply felt convictions held among board members, staff, clients and stakeholders.

Because these bottom lines are also close to the major political fault line of non-profit operations, we can easily see why the management of non-profit organisations becomes soon quite complex. We will address this issue next.

2.4 The law of non-profit complexity

The missing profit motive allows for a great variety of preferences, motivations and objectives to materialise in non-profit organisations. As already noted, non-profits operate in areas that are often “difficult:” social services for people with disabilities, the socially excluded and minorities; hospices and care facilities for frail older people; international humanitarian assistance; advocacy groups; and local community associations. Indeed, the very existence of the non-profit form is linked to the nature of services they provide and the fields in which they work (Hansmann, 1996; DiMaggio and Anheier, 1990; and Rose-Ackerman, 1996). These areas are riddled with externalities, and operating in them involves trust and a concern for public goods. These and similar factors make straightforward business transactions more precarious, less efficient and perhaps even inequitable.

In this context, the “law of non-profit complexity” refers to the intricacy of managing non-profit organisations, and states that non-profit organisations tend to be more complex than business firms of comparable size. In terms of its environment (managing diverse constituencies, stakeholders and multiple revenue sources including donations, fees and charges, and public sector payments like subsidies, grants and contracts), and its internal components (board, staff, volunteers, clients and users), any non-profit organisation of, for example, 50 employees and 100 volunteers easily surpasses the complexity of managing an equivalent for-profit firm of equal size.

In fact, we can take Handy’s (1988, pp. 12-17) suggestion of a three-fold organisation with mutual support, service-delivery and campaigning components one step further and suggest that non-profit organisations are frequently several organisations or organisational components in one. More generally, from a management point of view, a non-profit organisation is a combination of different motivations, standards, challenges and practices. A mid-sized non-profit organisation typically has the following components:

- A professional core of managers, including personnel officers and accountants;

- A governing board of experts and community representatives;
- A client or user base and their representatives;
- A set of other stakeholders;
- A set of contractual relations including different levels of government;
- A set of business contracts;
- A volunteer and membership component; and
- The actual service providers.

Each component part, while not wholly self-sufficient, puts forward claims on the organisation, and develops its own “culture,” routines and procedures over time. Indeed, Kanter and Summers (1987, p. 164) suggest that the existence of multiple constituencies lies at the core of management dilemmas in non-profit organisations.

The notion of non-profit organisations as multiple organisations and as complex, internal federations or coalitions requires a multi-faceted, flexible approach, and not the use of ready-made management models carried over from the business world or public management. This is the true challenge non-profit management theory and practice face: how to manage organisations that are multiples and therefore intrinsically complex. In the next section, we will turn to this task.

3 Implications: Towards a comprehensive management approach

The non-profit management literature has generally not taken into account that non-profit organisations are multitudes of different organisational components, representing different bottom lines. Fortunately, the management concept suggested by Gomez and Zimmermann (1993, pp. 20-27) offers a useful step toward the development of management models that are more in tune with the realities of non-profit organisations. Among the key facets of their approach applied to the non-profit field are:

A holistic conception of organisation that emphasises the relationship between the organisation and its environment, the diversity of orientations within and outside the organisation, and the complexity of demands put on it. A holistic view of organisations is particularly needed in the non-profit field, where organisations are frequently part of larger public-private systems of service delivery. In such systems where multiple bottom lines are in operation, information available to management is frequently incomplete, dated, and distorted.

A normative dimension of management that includes not only economic aspects, but also the importance of values and the impact of politics. Thus, in addition to management under uncertainty, which is the result of incomplete information, we are dealing with organisations that involve different perceptions and projections of reality as well as different assessments and implications for different

constituencies. The normative dimension of non-profit organisations has been emphasised by a number of researchers, and this suggests that it may be wrong to approach non-profit management as if value and normative orientations would not matter.

A strategic-developmental dimension that sees organisations as an evolving system encountering problems and opportunities that frequently involves fundamental dilemmas for management. This dimension views non-profit organisations as entities that change over time as they deal with the opportunities and constraints confronting them as part of a larger political economy.

An operative dimension that deals with the everyday functioning of the organisation, such as administration and accounting, personnel and service-delivery. This is indeed the part that has been the focus of conventional non-profit management (see Oster, 1995; and Schwartz, 1992, as examples).

Thus, organisations are seen as economic and political systems that have normative, strategic as well as operative dimensions. As non-profit organisations evolve, their basic structural features reflect choices on how to combine, integrate or control the various component parts. In other words, if we understand organisations as systems with various component parts, we can begin to analyse central organisational dimensions as a series of choices made (or not made) by management or some governing body over time. This is the key to non-profit management.

From organisational theory we learn of the close relationship that exists between key characteristics of task environments and organisational structure. For some tasks, a centralised, hierarchical approach works best for both efficiency and effectiveness, while for other task environments, an organisational structure made up of decentralised and flexible units seems best suited (Perrow, 1986).

In the case of non-profit organisations, we find a complex picture: some parts of the organisational task environment are best centralised, such as controlling or fund-raising; other parts of the organisational task environment could be either decentralised or centralised, depending on managerial preferences or the prevailing organisational culture; other parts, typically those involving greater uncertainty and ambiguity are best organised in a decentralised way. In other words, non-profit organisations are subject to both centralising and decentralising tendencies. For example, environmental organisations are often caught between the centralising tendencies of a national federation that emphasises the need to “speak with one voice” in policy debates, and the decentralising efforts of local groups that focus on local needs and demands.

The key point is that the multiple bottom lines present in non-profit organisations demand different management models and styles. Thus, various management models are possible and indeed needed

in non-profit organisations. What is more, the different stakeholders and constituencies associated with specific bottom lines are likely to favour, even push for, “their” way of running the organisation. The image we gain from this description is that of organisations whose management are subject to the “push-and-pull” of their various component parts. How could the various pull and push factors in non-profit organisations be identified, and what overall framework would allow us to put them in context of each other and the requirements of the organisational task environment?

4 A model of non-profit organisations

Against the background laid out above, the model of non-profit organisations as conglomerates of multiple organisations or component parts represents one possible analytical framework to understand the various dimensions, dilemmas and structures involved in non-profit management. Such a model involves several crucial dimensions (see Figure 1).

4.1 Tent or palace?

A critical first dimension is that between “palace” and “tent.” A *palace organisation* values predictability over improvisation, dwells on constraints rather than opportunities, borrows solutions rather than inventing them, defends past action rather than devising new ones, favours accounting over goal flexibility, searches for “final” solutions, and discourages contradictions and experiments (Hedberg, Nyston and Starbuck, 1976; and Weick, 1977). For example, many of the larger non-profit service-providers, think-tanks and foundations have become more palace-like in their organisation. By contrast, a *tent organisation* (Hedberg, Nyston and Starbuck 1976; Starbuck and Dutton 1973; and Mintzberg, 1983) places emphasis on creativity, immediacy and initiative, rather than authority, clarity and decisiveness; the organisation emphasises neither harmony nor durability of solutions, and asks, “Why be more consistent than the world around us?” Civic action groups and citizen initiatives, self-help groups among people with disabilities and local non-profit theatres are frequently tent-like organisations.

Few non-profit organisations are either “pure” tent or palace. Instead, non-profit organisations are frequently both. Behind this tent-palace duality lies the notion that some of the multiple components of non-profit organisations tend to be more tent-like, while others resemble palaces. Whereas tent organisations represent the management styles of “adhoracy” (Mintzberg, 1983) and “muddling-through” (Lindblom, 1968), palaces come closer to the models of Taylorism and classical organisational theory. For Mintzberg (1983, p. 463), “no structure is better suited to solving complex, ill-structured problems than adhocracy,” just as for Weber (1921) bureaucracy was the superior form for well-defined and routinised task environments.

The tent versus palace distinction summarises inter-organisational tensions and options in terms of *efficiency* and *effectiveness*, and *permanence* vs. *temporality*. Organisations emphasising efficiency are input-output oriented, and stress cost minimisation, routinisation and a clear division of labour. By contrast, effectiveness is more mission-oriented, concerned with flexibility and case-specific division of labour. Moreover, the option between *permanence* (durability, set division of labour, set command lines) and *temporality* (temporal limits changing, temporary command lines) points to a second dimension included in palace and tent organisations. Thus, organisations valuing efficiency and permanence are likely to develop into palaces, while those favouring effectiveness and temporality are likely to emerge as tents (see Gomez and Zimmermann, 1993, p. 72).

4.2 Technocratic culture or social culture?

The second key dimension is between a technocratic and a social culture. Some organisations emphasise functional performance criteria, task achievement, set procedures and operate under the assumption that organisations are problem-solving machines. This is the technocratic view, best illustrated by Taylor's scientific management. This approach contrasts with the people orientation, personal environment of a social culture in organisations, exemplified by the human relations school in organisational theory. In the latter, organisations are akin to "families" rather than machines. For example, non-profit organisations that emphasise normative elements, such as religious or political convictions, are more like families, whereas others, such as hospitals or schools, can become more "machine-like." Techno-cultures are frequently characterised by management models like operations research, whereas socio-culture come close to the human relation approach in organisational theory, emphasising the importance of informal relations and holistic concepts of employee motivation (see Gomez and Zimmermann, 1993, pp. 42-51).

4.3 Hierarchy or network?

Organisations as hierarchies involve centralised decision-making, top-down approaches to management, low span of control for middle management, and an emphasis on vertical relations among staff. This model is found in Weber's notion of bureaucracy, Fayol's (1916) concept of public administration, and Taylor's scientific management approach to industrial mass production. In contrast, organisations as network emphasise decentralisation and bottom-up approaches in decision-making, and encourage work groups as well as horizontal relations among staff and management. Notions like cluster organisation, circular organisation and concepts of organisations as overlapping groups are prominent approaches that treat organisations as networks rather than hierarchies. For example, many religious or church-related organisations, but also environmental groups and federations of local associations, face the dilemma of finding the right balance between hierarchy and network. Hierarchical organisations find their presentation in the model of the classical bureaucracy, whereas networks are akin to management models fostering team organisations and coalition-building (see Gomez and Zimmermann, 1993, pp. 86-87).

4.4 Outer-directed or inner-directed?

What is more important, the organisation or its environment? And above all, how should non-profit organisation relate to the outside world? Outer-directed organisations look primarily at other organisations and constituencies; they react to environmental stimuli and take their models and solutions from it (Pugh et al 1968, p. 65; Pugh, 1969, p. 91; and Kieser and Kubicek, 1983). Such organisations adapt to environment changes and seek to control outside influences. By contrast, inner-directed organisations emphasise a more selective view of the environment, focus on their own objectives and world-view (Emory, 1967; Beer, 1984; and Probst, 1987). The internal organisation rather than the larger environment become the primary source for solutions and strategies. Contingency theory (Child, 1972) and resource-dependency models (see Perrow, 1986) speak to the outer-directed organisation, whereas management models for integrated, semi-autonomous work groups address the inner-directed organisation primarily (see Gomez and Zimmermann, 1993, pp. 120, 127).

5 Combining key elements

The core structural elements of organisations are displayed in Figure 2 (adopted from Gomez and Zimmermann, 1993, p. 135). We obtain a picture that emphasises in its component parts the various dilemmas the structure of organisations entails. Specifically, it outlines the challenges facing non-profit management. The position analysis in Figure 2 usefully captures the complexity of non-profit organisations and their tendency to have multiple bottom lines. Some elements will emphasise technocratic aspects, while others pull it more into a socio-culture; some constituencies favour palace-like organisations, while others prefer to operate as tents; some parts of non-profit organisations are more externally-oriented, while others are more inward looking; and finally, some organisational elements are hierarchical, while others are more like networks and loose coalitions.

The challenge of non-profit management, then, is to balance the different, often contradictory elements that are the component parts of non-profit organisations. How can this be done? In a first step, management has to locate and position the organisations in the complex push-and-pull of divergent models and underlying dilemmas and choices. Following such a position analysis, management can ask: “Is this where we want to be? Are we too much like a palace, too hierarchical, too technocratic and too outer-directed? Should we be more tent-like, more organised as networks, with a socio-culture emphasises and our own resources and capabilities?” In this sense, we can easily see that non-profit management becomes more than just cost-cutting and more than just the exercise of financial control. Management becomes concerned with more than just one or two of the numerous bottom lines non-profit organisations have. In other words, management becomes not the controlling but the creative, enabling arm of non-profit organisations.

6 Conclusion

This paper began by putting forth the premise that the management of non-profit organisations remains ill understood because our understanding of these organisations has not gone deep enough. I argued that the structural definition of the non-profit form still requires an explicit statement about the essential or distinctive features of this set of organisations. So is particular about non-profit organisations that would require special management models and techniques? Non-profit organisations are different from businesses not because they are simple, trivial organisations, but because they are more complex. Having multiple bottom lines, they are in tendency also multiple organisations.

Multiplicity is the signature of the non-profit form. The challenge for management, then, is to develop models that identify these components, their cultures, goals and operating procedures in an effort to establish some coherence and identity between mission, activities and outcomes.

What are the implications of this discussion in the context of current developments? A full account of implications that follow from the approach suggested here is beyond the scope of this paper. Nonetheless, several theoretical and management-related implications are apparent:

6.1 Inertia and inefficiency

Meyer and Zucker (1989) have commented on the persistence of non-profit organisations despite low performance. This view, echoed by Seibel (1996), diagnoses the longevity of non-profits as a case of permanent failure rather than success. They suggest that because of their complicated governance structure and minimal influences from markets and the electorate to check on performance, non-profits can easily be manoeuvred into a state of hidden failure. In the context of the management model suggested here, we can easily understand why and how this can happen. Different organisational component may unknowingly locked into a stalemate, unable to change matters without giving up its own position. Truly successful non-profit organisations require pro-active management models, not management by exception. Because performance signals from markets and electorates are incomplete, if not totally missing, pro-active management frequently has to position and locate the organisations.

6.2 Changing organisational form

Not all non-profits must necessarily remain non-profits. The notion of non-profit organisations as multiple organisations contains the possibility that some components may acquire a more business-like or market-driven character over time. If this component (service delivery, marketing, fund-raising) becomes dominant, management must consider if the non-profit form is still appropriate given prevailing demand and supply conditions. This is the case in the US health care field, where

many hospitals and clinics are migrating to the for-profit sector, having lost their distinct multiplicity, and having become simpler organisations in the process.

6.3 Efficiency

If non-profit organisations justify their existence on the grounds of efficiency alone, they may lose out in the end. Frumkin and Andre-Clark (2000) argue that non-profits have too many constraints attached to their market behaviour to compete with for-profit organisations in the same market. They have disadvantages in their ability raise capital, to introduce incentive schemes, and face the additional penalty of loss of legitimacy and decline in volunteer input. Frumkin and Andre-Clark (2000) reach a conclusion similar to the one advocated in this paper: economising alone will not help non-profit organisations. To the contrary, it may only serve as vehicle to extinction or transformation.

6.4 Strategy vs. economy

So how can or should non-profit organisations react to the pressures of commercialisation? Non-profits will survive in industries undergoing rationalisation – health, services, culture, become reflective organisation, and no longer see quantitative growth as the best answer to maintain their position or market share. Indeed, the complexity of non-profit organisations makes them natural-born niche-seekers; their unique combinations of organisational components imply strategic strength rather than economising alone.

Williamson's prominent transaction cost approach that underlies much of modern management thinking will create problems for non-profit organisations if they wish to remain non-profit – just as Max Weber's vision of bureaucracy failed to save many large service-providers to become just extensions of government. Wallace Syre, the former Cornell Business School Professor, once remarked that "public and private management are alike in all unimportant respects" (Allison, 1980, pp. 27-38). Could we also say the same about non-profit and for-profit management – that they are alike in all but what is important? The likely answer is yes.

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Figure 1: Dimensions and structural elements of organisations

ELEMENTS I

**Efficiency and effectiveness
Permanence vs. temporality**

<p>Efficiency</p> <ul style="list-style-type: none"> - Process-defined efficiency - Input-output efficiency - Cost minimisation - Routinisation - Clear division of labour 	vs.	<p>Effectiveness</p> <ul style="list-style-type: none"> - Goal-defined effectiveness - Case specific division of labour - Flexibility - “Trial and error”
<p>Permanence</p> <ul style="list-style-type: none"> - Durability - Set division of labour - Set command lines 	vs.	<p>Temporality</p> <ul style="list-style-type: none"> - Change - Temporal limits - Temporary command

...which leads to the dilemma of **palace vs. tent**

ELEMENTS II

**Task-orientation vs. people-orientation
Formalisation vs. symbolic orientation**

<p>Task-Orientation</p> <ul style="list-style-type: none"> - Functional criteria - Emphasis on economic performance - Emphasis on task achievement 	vs.	<p>People-Orientation</p> <ul style="list-style-type: none"> - Emphasis on social aspects - Emphasis on motivation and person - Personalised criteria of role fulfilment
<p>Formalisation</p> <ul style="list-style-type: none"> - Set procedures - Formal task description - Rule-bound, manuals expectations - Organisation as “machine” 	vs.	<p>Symbolic Orientation</p> <ul style="list-style-type: none"> - Flexible procedures - Evolving tasks - Evolving rules and - Organisation as family

...which lead to the dilemma of **technocratic culture vs. social culture**

ELEMENTS III

Monolithic vs. polycentric Steep configuration vs. flat configuration

Monolithic	vs.	Polycentric
- Centralisation of decision-making		- Decentralisation of decision-making
- “Top-down”		- “Bottom-up”
Steep Configuration	vs.	Flat Configuration
- Emphasis on vertical relations		- Emphasis on horizontal relations
- Many layers of hierarchy		- Few layers of hierarchy
- Specialisation		- Less specialised
- Low span of control		- Work groups

....which lead to the dilemma of **hierarchy vs. network**

ELEMENTS IV

Contextual adaptation vs. identity development External direction vs. internal direction

Contextual Adaptation	vs.	Identity Development
- Outer-directed structure		- Inner-directed structure
- Organisation reacts to environment		- Focus on own situation, objectives
- Embraces environment		- Selective perception of environment
External Direction	vs.	Internal Direction
- Top-down development of organisation		- Bottom-up development
- Solutions sought outside		- Solution sought internally
- Strategies sought outside		- Strategies sought internally
- Units have little room for initiative		- Units free to seek solutions

... which lead to the dilemma of **outer-directness vs. inner-directness**