

Conference Name: Australian Centre for Entrepreneurship Research Exchange Conference
2013

Conference Location: Queensland University of Technology, Gardens Point

Conference Date: 6 – 8 February, 2013

ISBN: 978-1-921897-55-9

Editor: Per Davidsson

Paper Title: Investigating the manifestation of decision-making approaches in nonprofits:
Implications for governance

Authors: Aastha Malhotra University of Queensland, Martie-Louise Verreynne University of
Queensland

Submitting Author Contact Information:

Aastha Malhotra

University of Queensland, Australia

a.malhotra@business.uq.edu.au

Investigating the manifestation of decision-making approaches in nonprofits: Implications for governance

Abstract

Nonprofit organisations face an increasingly complex environment. As a response, they explore and adopt diverse management perspectives. This paper begins with the premise that these perspectives can be classified into three distinct schools of thought, each of which represents a particular ideology towards managing nonprofit organisations. Furthermore, it suggests that these ideologies resonate with the decision-making approaches prominent in the general management literature. As such, the aim of the paper is to examine how each of these decision-making approaches manifest within nonprofits and explore their consequences for practice - focussing in particular on governance. The findings indicate that nonprofit practices are indeed guided by the differing decision-making approaches that can clearly be identified. Furthermore, we find that they have intended and unintended consequences that can either benefit the organisation or prove detrimental. Our key contribution therefore lies in offering an integrative framework that explains the contrasting nature of nonprofit decision-making and governance processes along with early empirical evidence of the varying approaches. Keeping in mind the volatility within the nonprofit landscape, we raise the need for future research that explores decision-making approaches within nonprofits.

Introduction

The nonprofit landscape consists of organisations ranging from charities to social service agencies that pursue activities such as serving the disadvantaged (Lyons, 2001); fulfilling social needs and advocating and implementing public policies (Barraket, 2008). In recent decades these organisations have been challenged by various social, economic and political changes in their operating environment (Anheier, 2005; Lindenberg, 2001; Stone, Bigelow, & Crittenden, 1999) including reduced funding, increasing competition, frequent employee burnout, declining volunteer support, and increasing expectations regarding accountability and transparency (Barraket, 2008; Edwards & Austin, 1991; Letts, Grossman, & Ryan, 1998; Lyons & Fabiansson, 1998; Stone, et al., 1999). Other concerns include decreasing resources, growing competition for funds and rising community demands for services (Moore, 2000; Salamon, 1996; Stone, et al., 1999; Worth, 2009). Against this background, organisations have responded by using a variety of managerial perspectives and practices to pursue their social aims. Examples of these include strategic planning of capacity building initiatives and innovation (Letts, et al., 1998; Lewis, 2001; Mulhare, 1999). Some authors however, argue that nonprofits cannot be managed similarly as for-profits (Bush, 1992; Lindenberg, 2001; Moore, 2000). This has led to the development of competing and contrasting perspectives of nonprofit management (Anheier, 2005; Jackson & Donovan, 1999; Light, 2000).

In an attempt to make sense of this diversity, the authors traced the development of nonprofit management from its foundations to the present in a previous paper (Authors, 2012a). Using an evolutionary lens, the paper analysed the extant literature and key developments in the sector from government reports, articles and books on nonprofit management over the last forty years. The process provided two key insights. First, it revealed the presence of three distinctive perspectives of nonprofit management that have emerged over the years and continue to co-exist today. Drawing parallels with the classification of ‘schools of thought’ that are an integral part of management theory [e.g. (Mintzberg, Ahlstrand, & Lampel, 1998; Wren, 1994)], we classified these underlying perspectives based on their own unique motivations and propagated values and (Hood, 1995; Van Maanen, Sorensen, & Mitchell, 2007). Termed ‘traditional’, ‘contemporary’ and ‘hybrid’, these perspectives exemplify the

three schools of nonprofit management thought and are useful to guide theory development (Authors, 2012a). For example, they have been used to explore the mindsets and motivations of managers (Authors, 2012b).

Second, it highlighted that the underpinning ideologies of each of the three schools. We suggest that the ideologies of these nonprofit schools resonate with the different decision-making approaches prevalent in the broader management literature. For example, the traditional school embraces practices such as supervision as well as adoption of ethical codes that underline the ‘responsibility to care’; reflecting professional logics and symbolism (Hart, 1992; Scott, 2001). Similarly, the contemporary school embraces the view that management knowledge and skills applied to any organisation results in improvement in economy and efficiency. Its acceptance of for-profit managerial practices such as strategic planning reflects the rational decision-making logics (Ansoff, 1965; Mintzberg, et al., 1998). The Hybrid school in contrast adopts entrepreneurial behaviour that includes opportunity seeking behaviour, innovative solutions and social business aimed at long-term growth of the organisation (Dess, Lumpkin, & Covin, 1997; Mintzberg, et al., 1998). These views resonate strongly with the effectuation and entrepreneurial models (Mintzberg, 1973; Sarasvathy & Dew, 2005).

While researchers have examined the application and implementation of the different practices in substantial depth [e.g. supervision (Johnson, 2007; Perlmutter, Bailey, & Netting, 2000), strategic planning (Drucker, 1990; Mulhare, 1999; Oster, 1995), social enterprises (Dees & Elias, 1998; La Barbera, 1992; Mair & Marti, 2006)]; research specific to how the processes germinate, their key characteristics and the resulting consequences remains elusive. Furthermore, theoretical development based in empirical evidence has been hampered due to the fragmented nature of the nonprofit management literature. Missing therefore from the discussion is an explicit understanding of the decision-making processes and approaches within nonprofits.

In this paper, we seek to deepen this very understanding by combining two bodies of literature. We first use the three schools of thought (identified in a previous paper) as an underlying framework to guide our investigation and analyse the current nonprofit practices. Second, we draw on the decision-making approaches identified in the broader management literature in order to frame these practices. Led by Hart (Hart, 1992), Dess, Lumpkin and Covin (Dess, et al., 1997), Miller and Friesen (Miller & Friesen, 1977) and Mintzberg (Mintzberg, 1973) among others, this literature attempts to classify the approaches to decision/strategy-making that organisations employ, calling these classifications typologies. Examples include symbolic (Hart, 1992), rational (Ansoff, 1965), entrepreneurial (Mintzberg, 1973), and effectual (Sarasvathy, 2001; Sarasvathy & Dew, 2005). We argue that combining these two lenses permits us to articulate the varying nonprofit practices using a cohesive approach and an established literature to elucidate the differences within them along with their meaning for practice. Such research could be beneficial to resource constrained nonprofits in making informed choices rather than emulating practices that may not suit or benefit their circumstances.

Case studies of seven Australian nonprofits, prescribing to a variety of perspectives, are used to show that the ideologies underpinning each of the nonprofit perspectives correspond closely with professional (Brint & Karabel, 1991; Scott, 2001) or symbolic (Hart, 1992); rational (Ansoff, 1965); and entrepreneurial (Mintzberg, 1973) or effectual approaches (Sarasvathy, 2001; Sarasvathy & Dew, 2005). Our analysis further highlights the unique role

of the nonprofit board, acknowledging the importance of governance in defining organisational strategy and decision-making in this setting (Hendry, Kiel, & Nicholson, 2010 2010; Ostrower & Stone, 2006). Three key focus areas - board composition, role and responsibilities and board-employee relationships (Ostrower & Stone, 2006; Stone & Ostrower, 2007) emerge and are analysed in this paper. Seeing that research specific to nonprofit governance is either descriptive, prescriptive or lacking in empirical evidence, this finding is timely (Cornforth, 2012; Harrison & Murray, 2012; Ostrower & Stone, 2006; Stone & Ostrower, 2007; Widmer, 1993).

The paper begins with a brief overview of the three perspectives and their associated characteristics while explaining their fit with the decision-making approaches. We highlight some of the motivations and drivers of each school and then reflect on the illustrative practices and resulting implications. The paper then provides empirical evidence to compare and contrast practices, in particular focussing on the governance practices. We conclude with implications and directions for future research.

Mapping the Three schools of nonprofit management thought in the light of decision-making approaches

The most commonly used perspective visible in early nonprofits is termed the Traditional school. It has its roots in religion and emphasises perspectives of philanthropy and collective engagement to solve social problems and concern for public good (Anheier, 2005; Bush, 1992). Originating in fields such as human services, the school was most prominent through the 1960's and prides itself in aspects such as volunteerism, community engagement and empowerment (Anheier, 2005; Bush, 1992; Jones & May, 1998; Worth, 2009). Drawing parallels with Scott (2001)'s description of professionals as "groups that lay claim to formal knowledge", the supporters of the Traditional School also view the profession of social and community work as a professional field. Prominent practices that are synonymous with the school include development of specific vocations (Brint & Karabel, 1991), supervision and casework processes (Kadushin & Harkness, 2002) and adhering to practice principles (Scott & Elaine Backman, 2012). For example, the Traditional perspective prioritises training programs that focus on skill development for service delivery, efforts to professionalise the field (Harris, 2003) and adoption of ethical codes that underline the responsibility to care (Harris, 2003; Mattaini & Lowery, 2007). Furthermore, the school epitomises the sense of mission and uses the same as the core guiding aspect for all its activities. The Symbolic approach as suggested by Hart (1992), is built on the same foundation as it relies on a strong organisational culture that is supported by the basic philosophy and values of the organisation that provide employees with a sense of how things are done in this organisation.

Stemming from the above, the Traditional school's strengths therefore lie in prioritising the wellbeing of the client and grounding all practices in the reality of those that they aim to serve and support (Dustin, 2006; Ife, 1997). However, as with the professional and symbolic approaches the school has also been criticised due its inability to build organisational capacity, thus rendering it incapable of coping with challenges such as increasing competition in funding and scarcity of resources; and in turn threatening its very survival (Anheier, 2000; Dees & Elias, 1998; Mulhare, 1999). These criticisms have similarities with the Symbolic approaches that are considered inadequate in the sense that they are unable to provide the necessary operational inputs. For example, Hendry (2000) has argued that this approach does little to answer the practitioner's questions on how to best make decisions. Johnson (2000) adds that as a result, this approach seldom leads to optimal outcomes.

The above concerns have led to the emergence of a new perspective, captured here as a second school termed Contemporary. This school gained popularity in the 1970's and is built on the premise that adopting a business-like approach offers better effectiveness and efficiency in an increasingly challenging environment (Siciliano, 1997; Young, 1985). The school mirrors the rational approaches in the sense that it embraces formal management knowledge and skills. Rationality, as explained by the early authors [e.g. (Ansoff, 1965)], implies that the decision-maker(s) analyse the organisation and its environment; consider all the possible alternatives or strategies; select the most appropriate strategy; to implement. Similarly, they also seek to identify problems and opportunities and prioritises "attainment of the objectives" (Ansoff, 1968:17) and use formal planning processes, risk and environment analysis as well as resource allocation (Goll & Rasheed, 2005). Supporters of the Contemporary school advocate similar thoughts – for example techniques such as strategic planning, evaluation and reporting systems, performance measurements systems, financial resource management tools and environmental analysis are deemed effective mechanisms to anticipate and cope with a changing environment (Bowman, 2009; Brudney & Gazley, 2006; Cairns, Harris, Hutchison, & Tricker, 2005; Courtney, 2001; Zimmerman & Stevens, 2006).

The school's strength is its emphasis on improving operations and enhancing financial performance. However, the school has also been subjected to critique regarding the transferability of for-profit concepts due to contextual differences between the two sectors. Furthermore, the actual success of their implementation remains unclear. These doubts mirror those projected by Mintzberg (1973) and Quinn (1978) who question the extent to which it is actually practised this way in organisations. In the Contemporary school this is visible in the half-hearted implementation of for-profit practices. For example, a study on nonprofit strategic planning found that "managers use strategic planning because . . . they are required or encouraged by an external source to do so" (Webster & Wylie, 1988:52). More recent research demonstrated that formal planning was chiefly done to comply with funder requirements or due to the characteristics of board members and was thus not necessarily as a part of incorporating strategy in broader decision-making (Stone, et al., 1999). Similarly, Zimmerman and Stevens (2006) found that the smaller organisation resisted the adoption of paperwork and formalities required for procuring funding as it strained their already tight resources. In addition, concerns are widespread that for-profit perspectives promote competition and individualism that undermine trust and openness, and restrict organisations from collaborating to provide clients with best possible outcomes have also fuelled this debate (Bush, 1992; Fox, 1989).

Therefore, the third, or Hybrid school combines aspects of the earlier two schools in a desire to maintain a balance between social mission and economic sustainability (Hutchison & Cairns, 2010). Gaining popularity in the late 1980's, the school was shaped by an explicit realisation that nonprofits needed to combine social passion with utilisation of business acumen to generate social and economic value in the face of the uncertainty in the nonprofit operating environment. For many nonprofits, this manifested through the introduction of social enterprises, community businesses and innovative perspectives to practice (Dart, 2004; La Barbera, 1992). The approaches underpinning the Hybrid School therefore mirror those found in Sarasvathy's (2001) effectuation approaches or in the entrepreneurial perspectives identify by Mintzberg (1973) to the extent that they focus on how nonprofits can grow their income base and build the business. This school moves away from the painstaking rational perspectives introduced by the Contemporary school by paying less attention to predictive information. Instead it focuses on using existing resources well [e.g. (Di Domenico, Haugh, & Tracey, 2010)], invest only what are seen as affordable losses, and emphasise developing

networks or partnerships (Dew, Read, Sarasvathy, & Wiltbank, 2009). Supporters of the hybrid school adopt entrepreneurial behaviour, such as actively seeking opportunities that are not only innovative, but are also aimed at long-term growth of the organisation, views that resonate strongly with the effectuation and other entrepreneurial models (Dess, et al., 1997). Associated practices that incorporate principles and techniques of the for-profit sector with the values of the nonprofit sector include business arms and commercial enterprises fundraising arms such as social businesses, commercial enterprises operating under the nonprofit umbrella, and tools such as the Social Return on Investment methodology (SROI) (Billis, 2010; Dees & Elias, 1998; Perlmutter, et al., 2000; Weerawardena & Sullivan Mort, 2001). It has grown in influence because of its promise of increased autonomy and alternative sources of funding (La Barbera, 1992; Peredo & Chrisman, 2006).

The school's strength is thus considered its ability to simultaneously pursue practices that incorporate financial and social aims (Hutchison & Cairns, 2010). As with the entrepreneurial decision-making approaches, the Hybrid school therefore relies on the positive image of entrepreneurial behaviour, which is debatable. The literature highlights cautionary tales around its application due to the conflicting nature of the for-profit and nonprofit perspectives and the resulting tensions their amalgamation can cause. As a result, and in spite of the increasing popularity of Hybrid perspectives, there is a segment of scholars who believe that they are "little more than a repackaging of community development" (Healy, 2001:1). Together the three schools provide a comprehensive view of the major perspectives that guide nonprofit management and bring to attention the prevailing approaches among nonprofit decision-makers. The following section discusses the research method and analysis in further detail.

Method

A case study approach was used to understand the relationship between the schools and decision-making practices of nonprofits. This not only allows investigation of 'how' and 'why' questions (Yin, 2003), but also incorporates multiple sources of data, integrates diverse perspectives, and allows adjustment to unexpected findings (Eisenhardt, 1989; Yin, 2003). Theoretical sampling (Strauss & Corbin, 1990) was used to ensure distribution of cases across schools of thought. The final sample consisted of seven social-service nonprofit organisation based in Australia.

Drawing on the principles of triangulation, data were gathered from three different sources: interviews with key decision-makers at two levels within the organisations – (1) CEOs's and board members and (2) managerial and supervisory employees, and (3) archival records and organisational documents. The primary data source was the interviews with the archival documents providing further insights into the organisational processes and practices. A total of twenty-five organisational representatives were interviewed. A semi-structured approach was used in order to delve into aspects specific to the research questions (Grinnell, 2001) while allowing the participants to add additional views (Alvesson, 2003) about participants' roles and responsibilities, challenges experienced, how they responded, the prevalent practices as well as the reasons behind them. Open-ended questions focused on participants' roles and responsibilities, challenges experienced, how they responded, the prevalent organisational practices as well as the reasons behind them. The interviews lasted between 45-90 minutes each. The archival sources used included organisational documents such as websites, annual reports, strategic planning documents, press releases, brochures and publications.

Analysis process

We used a multi-stage inductive data analysis process that was useful “in figuring out what is important” and focussed on recognition of underlying themes and issues (Edmondson & McManus, 2007:1163). The first step of the analysis involved manual identification of statements illustrating governance practices within interview transcripts. This included phrases, terms, or descriptions that shed light on practices pertinent to board recruitment, requirements, responsibilities, relationship to management as well as other leadership practices. Together these statements provided a clearer understanding of governance practices. These illustrative statements served as open codes. Next, we looked for characteristics reflecting the attributes of the three schools as indicated in the literature and categorising the illustrative statements accordingly. For example, responses emphasising connection to social cause and making a difference were grouped under the Traditional node whereas statements that underlined the importance of having the appropriate skills and providing strategic guidance to organisation were assigned to Contemporary node. Statements such as *“our primary purpose is to look at the available purpose of the organisation and its overall direction and to work on the strategy of the organisation”* was classified as Contemporary owing to strategic and big-picture view reflected in the statement.

The third step involved identifying the underlying theme. This included assigning keywords to each statement, for example the statement *“our primary purpose is to look at the available purpose of the organisation and its overall direction and to work on the strategy of the organisation”* which was classified as Contemporary in the previous step, was allocated the keywords, ‘Input into direction’. Similarly, *“governance has to govern and put the ruler over things and take a helicopter view of things”* was also grouped under the same heading. These formed second-order codes and highlighted the practices and responses being adopted by organisations.

The final step involved looking for common themes across interviews within each school that could be grouped into higher-level nodes. For example, statements assigned keywords such as ‘Input into direction’ and ‘Representing organisation’ were grouped into the ‘Board responsibilities’ theme. In contrast, the ‘Board responsibilities’ in the Traditional School, were made up of statements under the ‘Lobbying for social cause’ and ‘Day-to-day management’ keywords. These categories highlighted the different interpretations of the dominant school of thought in each organisation. The categories were then linked back to the challenges that were not only outlined in the literature but also became apparent within each of the cases. It is important to note that this step was iterative and involved alternating between the extant literature, first-order codes and second-order concepts until adequate conceptual themes emerged and no new insights were apparent (Eisenhardt, 1989). It is important to note that though the unit of observation are the organisational representatives, we use the data to draw conclusions at the organisational level.

Findings and Discussion

The inductive nature of the analysis required iterating between insights from the literature on nonprofit management and those emerging from the data. The findings provided two key insights. First, they provided evidence that governance practices resonate with each of the three schools thus highlighting the presence of the approaches within the sector as well in-depth information regarding each. Second, we find that though each of the decision-making approaches have intended consequences, they also have unintended consequences. The key areas and relevant practices are discussed next. Table 1 provides a summary of the findings.

Table 1 - Three approaches to decision-making and their manifestation in nonprofit governance

Decision-making approach	Professional and Symbolic	Rational	Entrepreneurial and Effectual
<i>School of nonprofit thought</i>	<i>Traditional</i>	<i>Contemporary</i>	<i>Hybrid</i>
Focus of decision-making approach	Mission is crucial Development of a profession Clients' welfare Collectivism	Decision-making is deliberate Bottom line Optimal use of resources to deal with external conditions	Finding better solutions through innovative behaviour Identify and pursue opportunities
<i>Governance practices with school Board recruitment and characteristics</i>	<i>Contacts and friends Mission-driven Voluntary</i>	<i>Appointment/Election/ Nomination Skills-driven Remunerated or expenses paid</i>	<i>Appointed as per requirement Mixed – Skills-based and Mission-driven Voluntary and/or remunerated</i>
Required skills	Consensus building, culture nurturing, mission-focussed	Business expertise - Environment analysis, performance management	Networking skills, opportunity seeking
<i>Governance practices within school Board responsibilities and relationship to management</i>	<i>Token engagement Not much input in management</i>	<i>Involved in key organisation decisions Provide strategic direction</i>	<i>Involved in key organisation decisions Involved in operations and guidance for business decisions</i>
Strengths of decision-making approach	Sense of mission Guiding philosophy and values serve as a binder	Organisational and environment analysis Select appropriate strategy to implement Use formal planning processes	Grow their income base Emphasise developing networks or partnerships Actively seek opportunities
<i>Intended consequences of school</i>	<i>Commitment of the member to social cause Increased resilience of organisations through difficult phases Long-term involvement</i>	<i>Expertise and skills Involved in strategic guidance Able to support management Positive relationships</i>	<i>Passion and skills to the organisation Methods to build common understanding Responsive and adaptive</i>
Criticisms of decision-making approach	Unable to provide the operational inputs or 'best' way to make decisions Seldom leads to optimal outcomes	Little information on the extent to which it is actually practiced	Reliant on positive image of entrepreneurial behaviour which is debatable
<i>Unintended consequences of school</i>	<i>Lack of governance skills and knowledge Lack of strategic direction Inability to implement changes or plan for the future Strained relationships</i>	<i>Involvement can border on controlling Business-focus can cause a conflict in priorities Difficult for them to adapt or change</i>	<i>Ambiguity due to contradictory demands and blurring boundaries</i>

Traditional school

Consistent with the professional perspective to the extent that they demonstrate immense dedication depend on collegial networks and informal ties for support (Scott, 2001) while placing minimal emphasis on any kind of formal practices, the Traditional board members are united by their desire to eradicate social problems. For example, the organisation is governed by individuals who are dedicated to a social cause and work in a voluntary capacity, *“it’s a voluntary position there is no money paid, I just love doing it”*. The data show that the majority of these members are founders, their friends and family or community members who get involved through their personal networks and contacts, *“saying to them look I’m on a community organisation how about you join?”*. The bottom line, however, is that these individuals join the organisation because of their dedication to the social cause *“these are people that out of the goodness of their heart they are doing something”*.

Consequently, we find that the biggest strength of this perspective is the commitment of the members, *“these are people that out of the goodness of their heart they are doing something”*. It is important to note that this dedication plays a significant role in not just building the organisation but also driving it through difficult phases, *“we had no office space, whenever we have meeting we have to bring our own coffee, tea and all”*. Furthermore, the data also suggest that these individuals continue to stay involved with the organisation for long periods of time, *“the people that set it up as the volunteers many, of them remain on the committee even today”*.

The unintended consequences, however, are highlighted by comments that indicate that even though members bring immense commitment to the role, they may not have the necessary skills and knowledge required at the governance level, *“our treasurer at the moment doesn’t, he’s a chiropractor or physiotherapist or something and he’s almost clueless about but yet he has that sort of role as secretary, he has been around for 25 years”*. As a result, not only do organisations suffer from a lack of strategic direction, *“the strategic planning is just not been happening”* but the pressure of leadership and direction of the organisations depends solely on the chief executive officer or manager, *“I felt that I’ve had to be driving this”*. Furthermore, the data suggest that the intense emotional connection and long-term involvement also hampers the management team’s ability to implement changes or plan for the future. Elaborating on this one of the interviewees shared that the organisation has no plans or systems to secure the organisation, *“he’s nearly 80 and there’s no succession planning”*.

The data also reveal that the above characteristics not only lead to strained relationships, but also inadequate engagement between the board and the management due to the lack of shared priorities, *“they’ve sort of come with their own set of beliefs and ideas, where they don’t really come from a human service sort of a background”*. Elaborating this further, an interviewee from one organisations shared that the members do not have much knowledge about the guiding an organisation, *“it’s that there aren’t people on this governance structure who have got either the marketing, the management, the legal, the accounting, the finance, or the skills”*. Similarly, another interviewee indicated that discussions or meetings with the management committee (a part of their board) does not add any value to their work, *“really I don’t get any feedback from them”*. The above issues have left the managers with little choice regarding where to turn to and some feel quite pressured and isolated *“now I’m feeling the lack of that support where I can’t take these major strategic issues to a board that understands where I’m coming from”*.

Contemporary school

The next set of governance practices reflects the Contemporary views that are consistent with the rational models. As noted earlier the rational decision-making emphasises collection of information, extensive internal and external analysis as well as making strategic decisions based on objective criteria (Ansoff, 1965; Goll & Rasheed, 2005). Similarly, one of the most prominent characteristics of the Contemporary view is that organisations adopt ‘skills-based’ criteria and seek individuals that can contribute to the functioning of the organisation; “*we just identified the skills that the board would need*”. Unlike the Traditional board where the members are recruited due to their personal networks, specialised demands require that these individuals are either appointed, nominated or elected; thus reflecting the information collection as well as analytical processes, “*the conference council then appoint a skills based board to manage Org2*”. Considering the above roles and responsibilities, the Contemporary organisation may also remunerate the board members for their time or at least have their expenses for travel and accommodation *reimbursed* “*so to get those people who you want on a board like that you’ve got to pay them, otherwise you can’t ask them to give that amount of time*”. It is, however, important to note that this perspective is quite rare particularly in Australia.

Stemming from the expertise and skills that they come with, “*a reasonably classic corporate board*”, we find that the board members are heavily involved in strategic direction and guidance in specific areas as well as key decisions that impact the running of the organisation. Examples of these include, the presence of specific committees within the board, “*the board has several committees including for example the risk audit and compliance committee*” as well as their active participation in the appointment of the manager or chief executive officer, “*the board then appoint one executive director over the whole organisation*”. The comments also suggest that this input is not only valuable but also fosters positive relationships between the management and board “*the board’s a competency based board so there is some good skills there, they understand where we’re trying to do and how we’re trying to get there*”.

The unintended consequences, however, indicate that this involvement can sometimes go overboard with the board members bordering on controlling, “*the board can be very annoying and this is how you do it that way but it shouldn’t it be done this way*” and getting involved in management rather than providing guidance, “*let the managers manage and you guys have to do strategy oversight*”. Furthermore, the board members are business-focussed which can cause a conflict in priorities. Elaborating this further, one interviewee shared the challenge of inconsistent expectations, “*it is very critical to me that we keep alive our mission because it is very tempting sometimes to make decisions that are purely driven by market considerations or financial outcomes etcetera*”. Adding to this the backgrounds of these who are brought on because of their expertise often have clear ideas of how and what to do. The data suggest that it is difficult for them to adapt or change. As a result, we find that the management struggles to not only get their voice heard but also make any kind of change. “*, the board of Org2 as an example were very strong boards who I guess it’s fair to say that there were some individuals who felt threatened*”.

Hybrid School

The last set of Governance practices stem from the Hybrid perspective which focusses on both social and business attributes. The first of these is visible in the governance practices where the board is constituted partly by members that are appointed for their skills and others

that are connected to the cause or the roots of the organisation, *“we always try and attempt to have a sufficient balance on the board so that there are people who understand the work and have a strong sense of mission for the work as well as people who bring very significant large scale kind of business skills”*. Furthermore in circumstances that run a particular business or deliver specialised services, the organisation would seek out individuals with relevant experience, *“and also we’ve largely recruited the people with specific skills”*.

The importance of maintaining a balance is also visible in practices aimed at building a common understanding among all board members about the different areas of the nonprofit. Examples include board member orientations that equips all board members (irrespective of their background) to gain insight into the organisations aims and values, *“We’ve got new board members come on, we have an orientation program and we make it clear to the board”* as well as practices that allow the different departments to share their experiences, *“we recently did a board an end of financial year lunch where we had board and the executive’s teams from all of the agencies and we did a lot of kind of story telling”*.

As a result, the most useful feature of a Hybrid organisation is a board composed of individuals that brings both passion and skills to the organisation. In addition, the entrepreneurial and innovative views also allow it to be more responsive and adaptive to the changing needs of the organisation and its clients. Nevertheless, the relationship can be challenging owing to the contradictory demands, blurring boundaries and increasing competition for Hybrid organisations. An example of this was shared by the manager of an organisation that provided fee-based (albeit nominal) child-care services similar to a for-profit company where the manager shared concerns around the boards expectations, *“we were getting a lot of pressure from the board saying [name of corporate] can earn millions of dollars of profit, [name of corporate] can run their services very efficiently why can’t you, why aren’t you making us money”*.

Contributions and Implications for future research

Our aim was to examine how the different decision-making approaches manifest within nonprofits. In addition we used them to explore the governance practices of nonprofits. Using interview data from 25 nonprofit managers and the three schools of thought as a reference framework, the findings suggest that three schools strongly resonate with the decision-making approaches, thus providing insight into the prevalence of decision-making within nonprofits. It further indicates that nonprofit practices (particularly governance) are guided by the differing decision-making approaches and have differing consequences. Our key contribution lies in offering a framework that not only provides early empirical evidence of the diverse decision-making approaches but also generates a new understanding of governance practices visible in the sector. This framework has significant implications.

First, it offers an integrative view that captures how nonprofit managers collectively experience governance and explain the contrasting nature of decision-making within nonprofits. The framework goes beyond the assertion that one view is better than the other and instead suggests that rather any one approach being perfect, each has something that can either benefit or prove detrimental for the organisation. These insights are significant for nonprofits as many of them today are in the process of transition and are dealing with changes in the internal and external environment. The data support this view by highlighting that nonprofit practitioners are constantly required to walk the tight-rope, *“you’re always doing a balancing act”*. The unique role of the board and their relationship with management impacts the long-term and short-term running of the organisation. The framework can alert

them to possible pitfalls. For example, the unintended consequences in the Traditional school and subsequent tensions can lead to the members feeling unappreciated, *“so people think because you are not paid you are no one, nothing. It’s not true”* Similarly, the controlling and intrusive methods of the Contemporary board can cause stress for other employees, *“you almost exhaust management”*. Being aware of the unintended consequences and resulting issues can allow organisations to be proactive in making planning for future governance.

Second, this paper provides a typology, based in literature and empirical evidence, of the decision-making approaches evident in nonprofit organisations. It highlights in particular the prevalence of professional/symbolic, rational and entrepreneurial approaches. While other approaches may be present in nonprofits, this paper takes a first step in articulating their presence and the resulting consequences. Linked to the above, it also adds to the current understanding of decision-making approaches in broader literature by highlighting the consequences of these practices. While authors such as Mintzberg et al. (1998) have identified the major critiques for each approach, we also found that consequences, and particularly “all consequences” in particular have not been explored in sufficient depth (March & Heath, 1994:9). The intended and unintended consequences unearthed within this paper can be considered a preliminary investigation into informing this gap.

While this research advances the current understanding of decision-making in nonprofits, we also suggest that there are a number of other notions that future research may consider. Building on the above and keeping in mind the volatility within the nonprofit landscape, we raise the need for future research that explores the presence of these decision-making approaches in other areas of nonprofit functioning such as resource management and operations. Furthermore, we suggest that some approaches, for example effectual may be more relevant within uncertain conditions (for example start-ups or very unpredictable environmental conditions) thus highlighting potential areas of enquiry.

References

- Alvesson M (2003) Beyond neopositivists, romantics, and localists: A reflexive approach to interviews in organizational research. *Academy of Management Review*, 28(1), 13-33.
- Anheier H (2000) *Managing non-profit organisations :Towards a new approach*. Centre for Civil Society, LSE, London.
- Anheier H (2005) *Nonprofit Organizations Theory, Management and Practice*. Routledge, New York.
- Ansoff I (1965) *Corporate Strategy: An Analytic Approach to Business Policy for Growth and Expansion*. McGraw-Hill, New York.
- Ansoff I (1968) *Corporate Strategy*. Penguin Books, London.
- Authors. (2012a). *An evolutionary perspective of management orientations in the nonprofit literature – towards a more sustainable approach*. Paper presented at the British Academy of Management Conference, Cardiff, United Kingdom.
- Authors. (2012b). *Three schools of not-for-profit management thought – Exploring the influence of management ideologies on managerial responses*. Paper presented at the To be presented at the Australian and New Zealand Academy of Management Conference, Perth, Australia.
- Barraket J (2008) Social Enterprise and Governance : Implications for the Australian third sector. In Barraket J (Ed.), *Strategic issues for the not-for-profit sector* (University of New South Wales Press, Sydney).
- Billis D (2010) From welfare bureaucracies to welfare hybrids. In Billis D (Ed.), *Hybrid Organizations and the third sector* (Palgrave Macmillan, London, United Kingdom).
- Bowman W (2009) The Economic Value of Volunteers to Nonprofit Organizations. *Nonprofit Management and Leadership*, 19(4), 491–506.
- Brint S and Karabel J (1991) Institutional origins and transformations: the case of american community colleges. In DiMaggio WWPpPJ (Ed.), *The New Institutionalism in Organizational Analysis* (pp. 337-360. University of Chicago Press, Chicago).
- Brudney JL and Gazley B (2006) Moving Ahead or Falling Behind? Volunteer Promotion and Data Collection. *Nonprofit Management and Leadership*, 16(3), 259–276.
- Bush R (1992) Survival of the Nonprofit Spirit in the a For-Profit World. *Nonprofit and Voluntary Sector Quarterly*, 21(4), 391-410.
- Cairns B and Harris M and Hutchison R, Tricker M (2005) Improving Performance? The Adoption and Implementation of Quality Systems in U.K. Nonprofits. *Nonprofit Management and Leadership*, 16(2), 135–151.
- Cornforth C (2012) Nonprofit Governance Research : Limitations of the Focus on Boards and Suggestions for New Directions. *Nonprofit and Voluntary Sector Quarterly*, 41, 1116.
- Courtney R (2001) *Strategic Management for Voluntary-Non Profit Organisations* Routledge *Studies in the Management of Voluntary and Non-Profit Organisations* (Routledge, London).
- Dart R (2004) The legitimacy of social enterprise. *Nonprofit Management and Leadership*, 14(4), 411-424.
- Dees JG and Elias J (1998) The challenges of combining social and commercial enterprise. *Business Ethics Quarterly*, 8(1), 165-178.
- Dess GG and Lumpkin GT, Covin JG (1997) Entrepreneurial strategy making and firm performance: tests of contingency and configurational models. *Strategic Management Journal*, 18(9), 677-695.
- Dew N and Read S and Sarasvathy SD, Wiltbank R (2009) Effectual versus predictive logics in entrepreneurial decision-making: Differences between experts and novices. *Journal of Business Venturing*, 24(4), 287-309.

- Di Domenico M and Haugh H, Tracey P (2010) Social bricolage: Theorizing social value creation in social enterprises. *Entrepreneurship Theory and Practice*, 34(4), 681-703.
- Drucker PF (1990) *Managing the Nonprofit Organisation, Principles and Practices*. HarperCollins.
- Dustin D (2006) Skills and knowledge needed to practice as a Care Manager : Continuity and Change. *Journal of Social Work*, 13(6), 293-314.
- Edmondson CA and McManus ESA (2007) Methodological fit in management field research. *Academy of Management Review*, 32(4), 1155-1179.
- Edwards RL and Austin DM (1991) Managing effectively in an environment of competing values. In Edwards RL & Yankey JA (Eds.), *Skills for effective human services management* (1st ed. NASW Press, Washington.
- Eisenhardt KM (1989) Building Theories From Case Study Research. *The Academy of Management Review*, 14(4), 532-540.
- Fox R (1989) Relationship: the cornerstone of clinical supervision. *Social Casework: the Journal of Contemporary Social Work*, March.
- Goll I and Rasheed AA (2005) The relationships between top management demographic characteristics, rational decision making, environmental munificence, and firm performance. *Organization Science*, 26(7), 999-1023.
- Grinnell R (2001) *Social Work Research & Evaluation, Quantitative and Qualitative approaches* (6th ed ed.). Peacock Publishers, United States of America.
- Harris J (2003) Professionalism takes a pounding [online]. In Muetzelfeldt M & Briskman L (Eds.), *Moving Beyond Managerialism in Human Services* (pp. 5-22. RMIT Publishing, Melbourne.
- Harrison YD and Murray V (2012) Perspectives on the leadership of chairs of nonprofit organization boards of directors: A grounded theory mixed-method study. *Nonprofit Management and Leadership*, 22(4), 411-437.
- Hart SL (1992) An Integrative Framework for Strategy-Making Processes. *The Academy of Management Review*, 17(2), 327-351.
- Healy K (2001) Social enterprise: A strategy or paradigm for the sector. *Impact*, 1, 16.
- Hendry J (2000) Strategic decision making, discourse, and strategy as social practice. *Journal of Management Studies*, 37(7), 955-977.
- Hendry KP and Kiel GC, Nicholson G (2010) How Boards Strategise: A Strategy as Practice View. *Long Range Planning*, 43(1), 33-56.
- Hood C (1995) The "New Public management" in the 1980's: Variations on a theme. *Accounting, Organizations and Society*, 20(2/3), 93-109.
- Hutchison R and Cairns B (2010) Community anchor organizations:Sustainability and independence. In David B (Ed.), *Hybrid Organisations and the Third Sector* (Palgrave Macmillan, London, United Kingdom.
- Ife J (1997) *Rethinking social work : towards critical practice*. Longman Cheshire, Melbourne.
- Jackson AC and Donovan F (1999) *Managing to Survive*. Allen and Unwin, Sydney.
- Johnson G (2000) Strategy through a cultural lens: learning from managers' experience. *Management Learning*, 31(4), 403-426.
- Johnson WB (2007) Transformational supervision: When supervisors mentor. *Professional Psychology: Research and Practice*, 38, 259 –267.
- Jones A and May J (1998) *Working in Human Service Organisations*. Longman, Sydney, Australia.
- Kadushin A and Harkness D (2002) *Supervision in Social Work* (4th. ed.). Columbia University Press, United States of America.

- La Barbera PA (1992) Enterprise in Religious-Based Organizations. *Nonprofit and Voluntary Sector Quarterly*, 21(1), 51–67.
- Letts CW and Grossman A, Ryan WP (1998) *High-Performance Nonprofit Organizations: Managing Upstream for Greater Impact*. Wiley.
- Lewis D (2001) *The management of Non-Governmental Development Organizations: An introduction*. London: Routledge, 2001. Routledge, London.
- Light PC. (2000). Making Nonprofits Work: A Report on the Tides of Nonprofit Management Reform. Washington, DC: The Brookings Institution.
- Lindenberg M (2001) Are we at the cutting Edge or the Blunt Edge? Improving NGO Organizational Performance with Private and Public Sector Strategic Management Frameworks. *Nonprofit Management and Leadership*, 11(3), 247-270.
- Lyons M (2001) *Third sector : The contribution of nonprofit and cooperative enterprises in Australia*. Allen and Unwin, St Leonards, N.S.W.
- Lyons M and Fabiansson C (1998) Is volunteering declining in Australia. *Australian Journal on Volunteering*, 3(2), 15-21.
- Mair J and Marti I (2006) Social entrepreneurship research: A source of explanation, prediction, and delight. *Journal of World Business*, 41, 36-44.
- March JG and Heath C (1994) *A primer on decision making: How decisions happen*. Simon and Schuster.
- Mattaini MA and Lowery CT (2007) *The foundations of social work practice: A graduate text* (4th ed. ed.). NASW Press, Washington.
- Miller D and Friesen PH (1977) Strategy-making in context: ten empirical archetypes. *Journal of Management Studies*, 14(3), 253-280.
- Mintzberg H (1973) *The nature of managerial work*. Harper and Row, New York.
- Mintzberg H and Ahlstrand B, Lampel J (1998) *Strategy safari : a guided tour through the wilds of strategic management*. Free Press, New York.
- Moore M (2000) Managing for Value: Organizational Strategy in For-Profit, Nonprofit, and Governmental Organizations. *Nonprofit and Voluntary Sector Quarterly*, 29(1), 183-204.
- Mulhare EM (1999) Mindful of the Future: Strategic Planning ideology and the Culture of Nonprofit Management. *Human Organization*, 58(3), 323-330.
- Oster S (1995) *Strategic Management for Nonprofit Organizations - Theory and Cases*. Oxford University Press, United States of America.
- Ostrower F and Stone MM (2006) Governance: Research trends, gaps, and future prospects. In Steinberg WWPR (Ed.), *The nonprofit sector: A research handbook* (2nd. ed. Yale University Press, New Haven, CT.
- Peredo AM and Chrisman JJ (2006) Towards a theory of community-based enterprise. *Academy of Management Review*, 31(2), 309-328.
- Perlmutter FD and Bailey D, Netting EF (2000) *Managing human resources in the human services: supervisory challenges*. Oxford University Press, New York.
- Quinn JB (1978) Strategic change: "logical incrementalism". *Sloan Management Review*, 7-21.
- Salamon LM (1996) The Crisis of the Nonprofit Sector and the Challenge of Renewal. *National Civic Review*, 85(4), 3-17.
- Sarasvathy SD (2001) Causation and Effectuation: Toward a theoretical shift from economic inevitability to entrepreneurial contingency. *Academy of Management Review*, 26(2), 243-263.
- Sarasvathy SD and Dew N (2005) Entrepreneurial logics for a technology of foolishness. *Scandinavian journal of Management*, 21, 385-406.
- Scott WR (2001) *Institutions and organizations* (2nd. ed.). Sage, Thousand Oaks, CA.

- Scott WR and Elaine Backman E (2012) Institutional theory and the medical care sector. In Mick S (Ed.), *Innovations in Health Care Delivery* (JosseyBass, San Francisco.
- Siciliano JI (1997) The Relationship between formal planning and performance in Nonprofit Organizations. *Nonprofit Management and Leadership*, 7(4), 387-403.
- Stone M and Bigelow B, Crittenden W (1999) Research on Strategic management in Nonprofit organizations – Synthesis, Analysis and Future Directions. *Administration & Society*, 31(3), 378-423.
- Stone MM and Ostrower F (2007) Acting in the Public Interest? Another Look at Research on Nonprofit Governance. *Nonprofit and Voluntary Sector Quarterly*, 36, 416.
- Strauss A and Corbin J (1990) *Basics of qualitative research: Grounded theory procedures and techniques*. Sage Publications, London.
- Van Maanen J and Sorensen J, Mitchell T (2007) The interplay between theory and method. *Academy of Management Review*, 32, 1145-1154.
- Webster SA and Wylie M (1988) Strategic Planning in Human Services. *Journal of Sociology and Social Welfare*, 15(3), 47-63.
- Weerawardena J and Sullivan Mort G (2001) Learning, innovation and competitive advantage in not-for-profit aged care marketing: A conceptual model and research propositions. *Journal of Nonprofit & Public Sector Marketing*, 9(3), 53-73.
- Widmer C (1993) Role conflict, role ambiguity, and role overload on boards of directors of nonprofit human service organizations. *Nonprofit and Voluntary Sector Quarterly*, 22(4), 339-356.
- Worth M (2009) *Nonprofit Management Principles and Practice*. Sage Publications, United States of America.
- Wren DA (1994) *The Evolution of Management Thought 4th Edition*. John Wiley and Sons, Canada.
- Yin RK (2003) *Case study research : design and methods* (3rd ed. ed.). Sage Publications, Thousand Oaks, California.
- Young DR (1985) *Casebook of Management for Nonprofit Organisations: Entrepreneurship and Organizational Change in the Human Services*. Hawthorne Press, New York.
- Zimmerman J and Stevens BW (2006) The Use of Performance Measurement in South Carolina Nonprofits. *Nonprofit Management and Leadership*, 16(3), 315–327.