

Contrary and Congruent Views of Leadership and Management in the Australian Social Economy

A research project by



Perpetual 

"The 21st Century will be the century of the social sector organisation. The more economy, money and information become global, the more community will matter. And only the social sector nonprofit organisation performs in the community, exploits its opportunities, mobilizes its local resources, [and] solves its problems. *The leadership, competence, and management of the social sector nonprofit organization will thus largely determine the values, vision, the cohesion and performance of 21st Century Society.*"

Peter F Drucker, Drucker Foundation 1999

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Via this report we introduce the concept of "open source research". This idea parallels the very successful open source movement in the software industry exemplified by Linux, Firefox and thousands of other valuable projects. A core element of the open source movement¹ is a license that forces derivative works to be as free as the material on which it is based. In this way, intellectual property can enjoy total freedom, maximising its opportunity to be used and improved. Academia has a long tradition in this vein. The difference here is the legal framework that requires derivative work to be shared publicly and for free.

Note

The data and evidence were collected in this study during the period July – October 2007. Since then conditions may have changed. Hence, interpretations provided in this report may also have changed in the interim and in the period of dissemination and discussion about the outcomes of the study. The reader is referred to the archives for further verification of both data and interpretations. These preliminary findings are shared in the spirit of action learning and collaboration, an organising theme in the conduct of the research. Your constructive criticism either with the team via email or via the SEEEN discussion forums (www.seeen.org.au) is welcome.

¹ For an overview and introduction see the wikipedia entry at http://en.wikipedia.org/wiki/Open_source.
More information and resources are available at <http://www.gnu.org/>



Executive Summary

The Australian Social Economy is worth over \$33 billion annually². It is larger than the agriculture, communications or mining industries. It is also larger than the economies of South Australia, the ACT or of Tasmania. The task of leading and managing a Social Economy organisation is more complex than in other sectors. In addition, the sector has undergone much change, and the rate of change continues, most notably due to the out-sourcing of activity previously undertaken by government departments. The sector and its organisations, like their counterparts globally, are growing in numbers, scale, and influence.

This exploratory study is focused on understanding how sector and its stakeholders view issues about “management” and “leadership” in the Australian Social Economy. It was not intended to be an evaluation of the sector’s current capabilities. Nor is it a laundry list of recommendations provided. Instead we seek to establish a platform that may serve as a basis for understanding and improved communication among all stakeholders who may begin to engage in dialogue and develop strategies for change in the best interests of the sector.

The interpretations in this report are not intended to be criticising of, or negative about the social sector and its members. During the conduct of the research it was evident that enormous social good is achieved by sector members in the face of significant challenges. But we also recognised that there is much room for improvement and we have identified what we believe are important issues for consideration by the sector.

Over 1000 stakeholders (including executives, board members and government policy makers) in the sector were asked to identify the key issues of concern to them and that inhibit the sector’s ability to achieve outcomes.

The resulting long list of issues was categorised according to whether the issue was a function of the sector’s complexity or the rate of change. The issues were further categorised as causes and symptoms. In performing the last step we do recognise that an issue may be viewed as a cause in one temporal and ecological context and a symptom in another. In this work a ‘cause’ is a reasoning(s) or reason(s) underlying the research participants’ views on an issue. Symptoms are the consequences, or effects, of the causes, that were frequently described by participants.

1.1. Key Findings

The over-arching conclusions are that:

- General management skills and processes are the critical enabler of growth and sustainability in the Australian Social Economy.
- More knowledge, data and frameworks are required to inform important decisions and to drive positive change.

² ABS Satellite Accounts

The logic supporting this finding is

1. The Australian Social Economy is larger and more complex than most people realise. It is also undergoing significant change
2. Dialogue with leaders and stakeholders reveals many significant issues and challenges, including:
 - a. Resource wastage due to competition, lack of cooperation and industry structure
 - b. Underdeveloped accountability, transparency, solvency and governance
 - c. Lack of advocacy and the sector's generally reactive stance
 - d. Misalignment of interests
 - e. Misunderstandings arising from ambiguous use of language
3. Many of the challenges raised are symptoms of the complexity of the sector; others of its growth and change
4. Underlying many of the effects of change are the policies of governments and funders – the key 'enablers' of the sector
5. Most of the issues identified by the sector and its stakeholders may be overcome by improving general management capability, by the creation of a robust knowledge base, and by the development of relevant frameworks for decision-making.

Many of the issues identified during the research arise from misunderstandings due to ambiguous use of language. Participants provided numerous examples of wasted effort, unnecessary disagreement and false agreement. Confusion in language use arises when words are adopted without agreed meanings; and most notably has occurred with the naive adoption of 'business' vocabulary,

Most of the research participants from the Social Economy exhibited a narrow concept of 'business' and think about it in the form of 'funding and resources' from grant makers rather than the broader concepts of organisational processes, systems, and capability. This is a symptom of change through the adoption of business language in the absence of commensurate education to fully inform the meaning behind the words.

Funders are the 'enablers' of the sector through their provision of the resources that make it possible for organisations and individuals to take action. However, funders are considered short-sighted by the sector because they generally do not support long term investments which match project or organisational development timeframes.

The mis-focus of funders is perpetuated by those in the sector who follow the funders' lead. In this way, funder policies are a cause of many other issues. Funders' policies and perspectives on investment timeframes, organisational capacity building, strategy, performance assessment, transparency and accountability provide critical signals to the sector.

It is acknowledged that funders are limited by the knowledge and insight that is available to them, as well as by the capability of the individuals and organisations that they support. There are many valuable ad hoc studies and reports available to the sector. Unfortunately, however, there is a lack of systematic and reliable knowledge, data and frameworks

about the sector to assist stakeholders and practitioners make sense of the sector's complexity and state. Without reliable knowledge, data and frameworks it is impossible to make consistently good decisions.

Many of the project participants hold contradictory views on important topics. For example, one might simultaneously complain about the lack of professional development opportunities while not supporting the investment in organisational capability. In most cases, these contradictory views are another symptom of complexity; the competing perspectives are not debated and reconciled because there is insufficient capacity (time, money or expertise) to do so.

Despite the rhetoric, there is a general lack of cooperation and transparency in the sector. This behaviour is driven by real and perceived competitive threats created by funding arrangements and lack of clarity over industry structure. Both of these forces are symptoms of the complexity of the sector and the lack of frameworks informing the design of competitive markets aimed at increasing efficiency and effectiveness and impact.

Leaders and managers in the Social Economy recognise the contribution they make to civil society and the national interest. However, based on the research evidence they are more reactive than proactive to change in the operating environments in which they practice. The reactive stance is a symptom of the rate of change and the capacity to deal with it.

The issues identified during the research are discussed in more detail in the remainder of this document and in the second volume.

1.2. Summary Matrix

Each issue identified in the research can be categorised according to whether it is

- a cause, or symptom of a cause; and whether
- it relates primarily to the complexity of the sector or the change in the sector

Once categorised they can then be plotted on a matrix which is simply intended to be a heuristic device to assist in summarising the diverse range of issues affecting the sector, and their intersecting relationships. It also locates the issues identified in the research with respect to the defined meanings of leadership involving change, and management involving complexity.

For example, the majority of participants viewed funding and resources as the main 'causal' issue in the sector, and the reason for many of their other problems. However, a minority of more knowledgeable participants explained lack of funding as a symptom of inadequate leadership and management capability. They viewed funding as "elastic" and "unlimited".

Social Economy Leadership and Management Issues Matrix

	Symptoms	Causes
Sector Change	<ul style="list-style-type: none"> • Ambiguous language use • Narrow conception of "business" • Clash of egos • Competition & industry structure • Advocacy • Reactive rather than proactive 	<ul style="list-style-type: none"> • Policy of funders • Policy of governments
Sector Complexity	<ul style="list-style-type: none"> • Inconsistencies in views and understanding • Insolency • Accountability • Misalignment of interests • Cooperation and transparency • Misallocation of resources • Governance 	<ul style="list-style-type: none"> • Knowledge, data and frameworks • General management capability

Of all the issues which have emerged in the conduct of the research two are identified as 'cause' and are discussed in more detail. Three other issues, transparency, accountability, and new ways of describing the sector are highlighted.

1.3. Management Capability

Much is said explicitly and between the lines about leadership and management throughout this report. In summary, it is a clear conclusion that greater general management capability is required to enable executives and policy makers deal with the complexities of the sector. The building of this capability will require a pluralist approach to learning modes and education, approaches which that reach the small regional community organisations as well as the high profile capital city players.

Particular attention needs to be paid to ways to stimulate and enable demand for the available education. Without sufficient demand, the suppliers in the market will fail.

1.4. New Knowledge and frameworks

One of the first issues encountered when researching the sector is the reality that there is limited data and minimal knowledge about the Australian Social Economy to guide the development of or even communicate about the sector.

We currently know little about:

- The capabilities of leaders and managers;
- Professional development in the sector;
- Professional standards;

- Scoping studies (census data about the sector);
- Accountability studies in the sector (benchmarking, impact, rating of organisations...);
- The analysis of the idea of markets and competition appropriate for the sector
- Structure and design of organisations;
- Social enterprises and earned income;
- Social Innovation practices;
- Other.

There is an urgent need for undertake evidence based research focused on policy and practice. And better data to describe and understand what is happening to the sector is needed. Hence, it is argued that what is needed in the sector is knowledge and information to identify both symptom and cause and to be able to evaluate which is operative, and what needs to be done to address the most salient issues we observed. Who is best placed to undertake this research?

The past century of work in the field of management science has demonstrated the ability to make sense of complex systems through systematic investigation. The work of "business scholars" is not sufficiently broad to deal with all the issues faced by the Social Economy. But it does provide a good starting point. Members of the sector themselves must also be intimately involved in all aspects of enquiry. This assertion is supported by the fact that the research points to the need for every individual leader and manager to aspire to the role of "changemaker". And each needs to shape proactively the conditions and operating environments in which she/he operates.

In a broader sense what does seem to be clear is that without reliable information it is impossible to make consistent and informed decisions. The quality of decision also suffers from the absence of sound frameworks with which to apply the available information. In this respect, much work needs to be done to shed light on the sector and the challenges that it is addressing.

1.5. Transparency

A frequent call from all quarters in recent years has been a need for greater transparency, and the Social Economy has not been excluded³. Transparency was also a matter of concern expressed in the views of many participants throughout the study.

Transparency throughout all aspects of the sector is a necessary pre-condition for change in the sector.

However, it transparency alone is not enough. The sector's stakeholders need to become more sophisticated in their understanding of the sector to ensure that any increased transparency doesn't result in negative backlash. For example, there is no point encouraging organisations to disclose their overhead costs or to argue for the need for their greater investment in capacity if naïve funders will view this negatively and reduce their financial support. Equally, if the community is not prepared for executives (and

³ See, for example, *Business Review Weekly*, 2005.



workers) in the sector to receive reasonable compensation, it is unfair to expect those executives to disclose their more often than not meagre compensation packages.

1.6. Accountability

Transparency enables accountability.

Innovative leaders in the focus groups and Thought Leadership Forums repeatedly expressed the view that there was increasing accountability required of the sector. They spoke of the need for better measures of impact. And participants from foundations commented on the need for better processes for application and disbursement of funds that predicted greater social impact. Recent discussions within the Social Economy speak about the "rating of organisations⁴ and benchmarking within (and perhaps across) the sector.

1.7. New ways of describing the sector

The Australian Social Economy needs new ways of describing the parts of the sector within the whole (new typologies) to help members to understand what is being communicated. This is particularly important given the new wave of (social) entrepreneurialism that must characterises many organisations and which will allow them to adopt and invent disruptive market strategies for financial sustainability.

1.8. Comment

This study was initiated to illuminate the misunderstandings that negatively impact the Social Economy's leadership and management. We did not expect to find that many of the issues and problems stem from a lack of data, frameworks and education. However this is the core conclusion from the input of more than a 1000 research participants. Further investigation and consideration of the many questions raised will enrich our understanding of the sector and thus inform funder and government policy, as well as the work of individual practitioners.

⁴ Compare, for example, the recent 20th October 2007, Meeting of Corporate Charity Leaders called "Rating Nonprofit Organisations in Australia" convened by the Myer Foundation.