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### **Organisational innovation in mobilizing resources within Third Sector organizations: uncoiling the complexities**

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One of the current key challenges for Third Sector organizations across the globe is how to mobilize resources within the context of an increasingly complex world and shifting citizenship roles. A contemporary theme in Third Sector literature and forums concerns the need for organizations to renew their way of operating, to become more business-like and innovative in fulfilling their mission. The issue is particularly pertinent for those Third Sector organizations providing welfare services struggling to meet increased service demands whilst negotiating increasingly complex state relations. Within this context social enterprise and community business partnership are heralded as innovative practices that organizations can adopt to create diversified resource streams.

The research presented in this paper synthesizes data from twelve organizational case studies of Third Sector welfare organizations located across Australia. Six of these organizations were selected because they had crossed the Rubicon into this world of enterprising resource mobilization and had been recognised for their achievements in this area. The other six organizations matched these adopters in terms of mission, location, size and stage of organizational development; though had less diversified resource streams and had not attempted or successfully managed to develop a social enterprise or business partnership. Case-orientated research and qualitative comparative analysis was utilised in order to achieve causal complexity and a “configurational” view of the cases (Ragin, 1999).

The paper’s discussion includes identifying *why* some organizations adopt and assimilate these practices and others do not; and what organizational consequences follow when these practices are adopted. It outlines key variables that enable and /or constrain the development and sustainability of enterprising resource mobilization strategies. This involves unpacking *how* organisational variables including: organizational capacity; individual and organizational self-efficacy; governance; networks and environment play a roll in the development or inhibition of such practices. The variables are of interest to organizations internationally.

The research highlights a certain organizational fragility in integrating business focused resource mobilization strategies into a socially focused organization. While clearly there is the potential for new capacities to be developed, there are value and ideological challenges to be negotiated. The research suggests a current evolutionary tension being experienced by Third Sector welfare organizations as they are called upon, both internally and from without, to reinvent the means with which they achieving organizational sustainability. This evolutionary tension creates the need for new thinking at the level of policy and practice – across all sectors – in order that these critical organizations that bear responsibility for the common good can successful organize within this new context.

### **Introduction**

One of the greatest challenges third sector organizations face is in mobilising resources – both material and non-material - in order to realise their goals. It is the process of successfully acquiring resources that allows a voluntary social movement to evolve and formally enter into the wider public domain. Resource mobilisation theory (RMT) highlights the importance of understanding not only the power of

collective social action but also the implications of mobilising resources to support that action. Canel (1997) has suggested there are two main models of RMT: 'organizational-entrepreneurial' model (McCarthy & Zald, 1977) and the 'political-interatives' model (Tilly, 1985; Oberschall 1973). This current paper is aligned with the organizational-entrepreneur model due to its focus on understanding innovation in mobilising resources within third sector organizations. The innovation specifically concerns incorporating business orientated approaches into resource mobilisation strategies.

Innovation in an organisational context is often about intentionally introducing and applying new ideas, processes or procedures to significantly benefit an organization and/or the wider society. Understanding innovation in third sector social service organizations has most often been focused at a service delivery level. Though the academic interest on organisational innovation has mainly been in relation to for-profit organizations and directly relates to improving or sustaining the economic bottom line without consideration of a socially focused mission.

The very nature of operating with a social mission as the bottom line, in contrast to a profit margin, creates complexity in regards to mobilising resources to achieve ones mission. The economic bottom line – though important to address - may be less an exclusive focus or priority to those working in and governing a third sector organization. It may not be for lack of recognition of the importance; but for a lack of time, staff, knowledge, skill and priority to manage it strategically. A complexity for third sector organizations is how they often define themselves and report to have a sense of identity removed from the functions of the market and yet they need to sustain themselves financially. The third sector is undergoing a major shift in how they negotiate that intersection and approach new ways of linking the economic with the social: that makes this research all the more timely and pertinent.

The pressure to manage scarce resources against increased responsibility for the common good – and growing stressors upon that good - make the innovative mobilisation of resources a critical survival strategy for third sector social service organizations. In addition, third sector organizations need to find new ways to mobilise resources to avoid being dependent on government funding and institutionalised though internalising the qualities found in bureaucratic institutions – unresponsiveness, cumbersomeness and routinization – which can all too easily happen in being an extension of government. Though Salamon (1994) suggests third sector organizations are less prone to these qualities than government, he warns that they are not immune to the tensions that arise between flexibility and effectiveness, grass-roots control and administrative accountability. Similarly a chief concern of third sector organizations engaging with business or adopting business-like practices is the potential internalisation of business ideologies and the weakening of the social focus.

Coinciding with the growth in delivery of social services by third sector organizations, with limited investment in their capacity, has been a legitimising of avenues of resource mobilization that harness a business orientation and encourage self-reliance. These changes are mirrored in contemporary not-for-profit literature and forums where attention is directed toward resource mobilization that targets the market sector rather than the state. The changes parallel the increased emphasis on

professionalising organizations to renew their way of operating, to become more business-like and entrepreneurial in fulfilling their mission. Kenny (2002) points out how this market framework developed with the ascendancy of neo-liberal economic theory.

The increasingly stringent government requirements placed on third sector organizations to operate as efficient and effective enabling state agents has created a momentum to become more business like and innovative in the delivery of social services. A consequence of this is that activities such as developing partnerships with business or establishing social enterprises are reinforced as good practice. Thus civil and social needs are met based on the logic that problems are best solved through a dose of “market medicine” (Deakin & Walsh, 1996). Certainly in Australia there has been wide spread promotion of these activities in third sector organizations without fully understanding what it takes for an organization to adopt such practices and the consequences of such action. Thus this research aimed to identify:

- variables that explain why some organizations adopt and assimilation social enterprise and/or community business partnerships and in contrast others do not.
- processes underpinning how social enterprise and community business partnerships develop for instance what enables and constrains these practices; and
- consequences of an organization adopting social enterprise or community business partnerships such as whether engaging market practices changes the credibility of third sector organizations and alters their value and ideology base.

The next section looks in more detail at these two strategies for mobilising resources.

### **Innovative Means to Mobilising Resources**

Both social enterprise and community business partnerships tap into a business-orientated paradigm. The focus is suggested to be about mixing the attributes and benefits of both the social and business domains. They can be constituted as a potential new resource stream that reduces reliance on government by seeking new partnership ventures with business or using a business orientation to self-generate resources. The two practices are a means of mobilizing desperately needed resources. Both practices are easily labelled as a form of innovation because of the potential characteristics of risk, radicalness, creativity, adaptability and change that these practices bring. A definition of these two concepts is described below.

#### *Social Enterprise*

It is important to clarify the difference between social entrepreneurship and social enterprise (SE). The former has been explored in detail by Dees (1998) who refers to Say’s definition (p.2) stated as, “The entrepreneur shifts economic resources out of areas of lower and into an areas of higher productivity and greater yield”. This definition highlights the notion of value creation. While Schumpeter’s definition (p.2) stated as, “the function of entrepreneurs is to reform or revolutionize the pattern of production” emphasises the process of innovation and change. Alternatively social enterprise is about specific activities utilised to generate revenue for a social purpose

and is what this research is concerned with. This may include commercial initiatives with social objectives less of a focus or entrepreneurial and innovative programs responding to emerging social needs with commerciality less of a focus. The case studies on which this paper's findings are based involved examples from across the social enterprise continuum.

### *Community Business Partnerships*

Sagawa and Segal (2000) used the term community business partnership (CBP) to describe the relationship between two organizations that engage in one or more philanthropic exchanges, without regard to the complexity of the exchange. They take a broad definition of exchange to include a one-off philanthropic grant by a business to a not-for-profit, but also included it to mean a joint venture targeting a social problem. Other authors only make reference to partnership in relation to strategic philanthropy, where the relationship is integrative (Austin, 2000) or transactional (Lyons, 1998) and where there is mutual mission and benefit for both parties. In these instances one-off philanthropic exchanges would not be considered partnerships.

Both Lyons (*ibid*) and Austin (*op.cit.*) distinguished between the type of exchange in terms of two dimensions: time and terms of the relationship. Austin framed these dimensions in terms of a collaboration continuum with a philanthropic stage at one end, moving through to a transaction stage as the mid point, and an integrative stage at the other end of the continuum. The Integrative stage involves a more complex relationship where joint partnership is sought that involves an alignment of agent's missions and both agents focus on collective actions that merge the partners. Joint ventures where both agents target a social cause through collective action fits within this part of the continuum.

Lyons (*op.cit.*) classified the relationship between not-for-profits and businesses in terms of three categorically discrete models. Model one defines business support as Philanthropy, model two as Business Transaction and thirdly as Corporate Citizenship. The classification corresponds to Austin's three-stage model. However Austin proposed that individual exchanges could develop over time from one end of the philanthropic continuum to the other, into an integrative exchange. Lyons takes a more historical perspective positioning the emergence of model three as a more contemporary approach and 'leaves open the question of whether the relationship between individual organizations also matures in stages from model one through to model three' (Onyx et al, 1999, p. 5).

This research focused on CBPs that could be defined as corporate citizenship (Lyons, *op.cit.*) or the integrative end of Austin's continuum with the partnerships having the following characteristics: high level of engagement, mission central to both parties, large magnitude of resources, broad scope of activities, intense interaction, and complexity in the managerial arrangement.

Social enterprise and community business partnerships are two practices being utilised by some third sector organizations as a means of being innovative in the practice of resource mobilisation. Currently these practices are promoted without full

consideration of what organizational factors influence these phenomena. Although there is much discussion on the subject there is relatively little research informing the debates. This next section provides an outline of the research methodology that was utilised to empirically delve into this issue.

## **Method**

A case study method has been assessed most appropriate as a research tool due to the context rich and complex nature of the issues underpinning the phenomena. This direction is supported by the work of Ragin (1987), Yin (1993), Eisenhardt (1989), MacNealy (1997) and, McCutcheon and Meredith (1993). These authors have been strong advocates of case study research and have countered criticism of the methodology by highlighting its benefits across a diverse range of uses from theory building to offering rich descriptions of phenomena.

The chosen unit of analysis and explanation applicable to this research is the organization. Third sector organizations were specifically selected because they had evolved more recently toward successfully diversifying their resource base by engaging the market through either the development of a social enterprise or partnership/s with business. These are referred to as adopters. The adopters at the time of research were mainly utilising a multi-sector approach to resource acquisition, with varying degrees of reliance on the market for the organizations' total share of resources.

In addition organizations, referred to as non-adopters, were selected because they had refrained from market-focused practices or been unsuccessful in attempts to develop such practices. The majority of these were dependent on a combination of state funding and civil society volunteerism for their resources. Adopter and non-adopter organisations will be compared as the means from which to understand the process of adopting (or not) social enterprise and/or community business partnerships in an organisation.

## *Cases*

The findings discussed in the next section of this paper synthesizes data from twelve case studies of small to medium third sector community welfare organizations located across Australia. The adopters were selected because they had crossed the Rubicon into this world of enterprising resource mobilization and had been recognised through public awards for their achievements in this area. The non-adopters matched the adopters in terms of mission, location, size and stage of organizational development: though had less diversified resource streams and had not attempted or successfully managed to develop a social enterprise or business partnership. The organizations had diverse missions working with a variety of target groups such as people with a disability, youth, indigenous people and children and families.

In most of the organizations a minimum of three people were interviewed comprising a board member, chief executive officer or coordinator and staff member. Multiple data collection was utilized due to the aim of triangulating a number of data sources within each organization and across the different organizational levels, to increase the reliability of the data.

Data sources included:

- semi-structured interviews;
- short questionnaire to collect background information on each organization;
- archival records (memos, minutes, strategic plans, annual reports) to triangulate retrospective information gained from interviews and;
- direct observation from site visits.

### *Analyses*

Analysis involved initially coding the data using the qualitative software package NVivo 2.0 to identify key variables that enable and /or constrain the development and sustainability of enterprising resource mobilization strategies and; to identify what organizational consequences follow when these practices are adopted. The cases were then analysed using Fuzzy-Set/Qualitative Comparative Analysis 1.1. (Ragin, Drass & Davey, 2003). Qualitative Comparative Analysis (QCA) is an analytic technique that uses algebra to implement principles of comparison between cases.

In QCA the information was analysed in truth tables using Boolean methods of logical comparison where each case was constructed as a combination of causal and outcome conditions. The analysis distinguished between the sufficiency and necessity of conditions influencing the occurrence or absence of CBP and SE adoption. It is important to remember that “Neither necessity nor sufficiency exists independently of theories that propose causes” (Ragin & Giesel, 2003: p51). A cause was defined as necessary if it *must* be present for a certain outcome to occur. A cause was defined as sufficient if it *can* produce a certain outcome by itself or in combination with other causes. Ascribing only necessary conditions ignores the fragility and complexity of social action. Sufficiency allows for alternative combinations of conditions to be sufficient for an outcome and is suited to this research.

It is usual for Boolean logic to use a conventional set that is dichotomous with values of 1 or 0 applied according to whether a case is either in or out. A fuzzy set, however, allows for membership in the interval between 0 and 1 while retaining the fully in or fully out states. Ragin (2000) outlines the four common ways to construct fuzzy sets using a three, five, seven or continuous value set. This research utilised a seven-value set. The membership points included: fully in (1.0); mostly but not fully in (.83); more or less in (.67), neither in nor out (0.5); more or less out (0.33); mostly but not fully out (.17) and fully out (0.0). Specification of causally relevant aspects of cases must be clarified and refined to see if the resulting truth table sorts cases in a way that makes sense. The assumption in building the truth tables has been that no single cause could be either necessary or sufficient for a topic such as the one under investigation here.

## **Results**

### *Nvivo Analysis*

The coding process revealed the following conditions as influencing the development of social enterprise and / or community business partnerships within third sector organizations. It can be presented in a model as: ADOPTER = CRISIS IN

GOVERNMENT SUPPORT + ORGANISATIONAL CAPACITY + GOVERNANCE + BUSINESS THINKING & SKILLS + NETWORKS + SELF-EFFICACY. These are explained in detail below.

### *Crisis In Government Support*

All the adopter organizations had experienced a crisis point in the flow of their resources from government – which comprised the majority of their income – that was influencing their orientation to seek innovative and diverse ways to mobilize resources. Themes of survival and sustainability were commonly expressed in relation to the drivers for developing a SE and/or CBP. Also important was their interest in having resources acquired independent from prescribed government guidelines.

The non-adopter organizations had experienced frustration and strain in the adequacy of government resources to meet demands. However they did not appear to have experienced an environmental jolt that undermined the confidence and security in the tenure of their government support, to the same extent as the adopters had. Most of the adopter organizations had faced a situation of government seriously considering relinquishing their main source of funding. For some this was enacted.

This stressor had influenced the adopter's interest to consider alternative strategies to mobilize resources. One adopter had developed a social enterprise to bring in a new source of income. Another organization was frustrated with where government policy was at in terms of working with people with a disability and wanted to run community development activities that were out of scope with the State funding they received. The resources from the business partnership gave them greater flexibility to develop initiatives outside of government funding frameworks. Paradoxically, government who initially wouldn't consider providing funding for the proposed out of scope activities later adopted their innovation.

The study found that some issues are always likely to be less popular in attracting resources. Thus there is a danger of state withdrawal from services in the expectation that the market can be sourced for resources. Clearly many issues that third sector organizations deliver on do not lend themselves to marketisation: it is this very reason that they find themselves being addressed through the third sector. As pointed out by Lake and Newman (2002) some individuals and groups are unable to achieve social integration through mechanisms of the market.

The relationship a third sector organization has with the market is clearly impacted upon by its relationship with government. Whilst a crisis in this relationship is a driver to diversifying resource streams, the government contracting relationship can also act as a barrier to building up capital to invest in new practices outside the strict bounds of their government contracts. This proved a particularly problematic area in relation to establishing social enterprises. If government is serious in their attempts to support such practices then attention needs to be taken to the internal workings of the government contracting system and its restrictive influence on true innovation.

### *Organizational Capacity*

Organizational capacity can refer to a variety of dimensions. In this research it emerged as a number of factors that impacted on the possibility and power of an organization to develop new ways of mobilizing resources. The following dimensions emerged from the data as key building blocks within an organization that enable SE or CBP to develop. The absence of these capacity dimensions was found to constrain organizations developing such strategies. The dimensions included:

- strategic planning activities that incorporated diversifying resource streams on to the governance agenda;
- ability to retain experienced staff through adequate remuneration and development opportunities;
- organisational design that allows staff specialisation in resource mobilisation;
- development of organizational structure and culture to facilitate entrepreneurial resource mobilization;
- integration of organizational activities to bring out synergies and enhance sustainability;
- ability to promote and market the profile of the organization;
- incorporation of research and development activities to facilitate new practices;
- capital infrastructure (eg owning of buildings) that supports entrepreneurial behaviour and activity;
- being of an adequate size to develop beyond 'small management' practices.

In addition to the absence of the above, a major factor that limited a small-to-medium community organization's capacity for exploring alternate resource mobilization strategies was the intense focus taken on fulfilling government accountability requirements. Though the meeting of some accountability requirements has increased the professional capacity of an organization, it comes at a price. Resources that could be used for developing new practices are often applied to meeting standards, self-monitoring adherence and reporting back to government. This puts pressure upon a third sector organization's 'capacity space' for trailing new approaches. There is a parallel with the pattern seen in psychological stress research where some pressure facilitates high performance though too much immobilizes and limits performance.

Organizational capacity could be seen as a higher order concept encompassing governance, business thinking and networks discussed in detail below. These dimensions are referred to in the literature on organisational capacity. Long (2002) for example suggests that organizational capacity is built from: committed leadership; knowledge enhancement; network building; valuing the organization; and supporting information. This next variable in the model examines this leadership dimension.

### *Governance*

Governance in organizations was identified in the study as a critical issue in influencing the take up of SE and CBP by third sector organizations. The type of governance model and the membership of management committees / boards seemed to make a difference. The adopters were more likely to have a governance model where they had made the transition from a management committee to a board of directors. The transition involved taking a high level strategic focus rather than an operational hands on focus.

Board processes of adopters were more formalized and structured with the development of sub committees to focus on particular issues of interest. Many of the adopters had developed sub committees specifically focused on developing alternative resource streams. Formal practices included sending out meeting papers before hand and requiring board members to add value and contribute to the issues at hand during meetings.

The decision-making pace of the adopters appeared to occur faster than some of the non-adopters, facilitated by the empowerment of the organization's coordinator / manager to sign off on certain issues without it having to go to the board. This of course was identified as having inherent risks. As the focus of an organization can change without the considered consensus making processes that ensure activities are aligned with the organization's core values and mission.

Adopters were more likely to have board members with business skills, experience and networks, in addition to having members that could contribute skills and experience in relation to the organization's core work and mission. Getting this balance right proved difficult. Particularly in terms of recruiting committed people and maintaining a balance between a business focus and social focus. This was particularly a challenge in rural areas.

Where an organization had a CBP, many of the business people on the board had originated from the business the organization was in partnership with. This is a tangible contribution businesses can make in their partnership, that of contributing to the governance of an organization. Some CBPs, for example, involved management staff from the business involved in a two-year rotating board membership with the third sector organization. The adopters reported business people were useful in contributing skills in strategic planning, organizational development, marketing and enhancing the profile of the organization. Some organizations imported business expertise through engaging business people in short-term consultancies rather than board membership. The integration of greater levels of business thinking and skills into a third sector organization appeared to be both an enabling factor as well as a consequence relating to the take up of CBP and SE.

### *Business Thinking and Skills*

There is a growing theme that third sector organizations are unable to achieve sustainability in the 21<sup>st</sup> century without alignment with modern strategic business principles and developing partnerships outside the bounds of the sector. The need for a greater business edge can be about making new opportunities to mobilize resources to the advantage of the organization. The results from this current study have identified the incorporation of business skills and practices as important to developing an enterprise or working in partnership with business. The study revealed the adopters had achieved this through a variety of mechanisms such as:

- staff extending their education and training into the business administration field;
- specifically recruiting staff and committee members with business administration skills;
- creating partnerships where the goal is to have access to business skills;
- importing expertise for specific tasks; and

- structuring the organization to create a defined place for these skills and the fostering of innovation.

Business thinking manifested in the adopters as: calculated risk taking, strategic thinking in issues of sustainability and self-sufficiency, utilizing innovation and entrepreneurial activity. Calculated risk taking was particularly relevant to those organizations engaged in social enterprise. The entrepreneurial thinking in some of the adopters resulted in identifying markets that they could tap into to supplement their primary programs. This was also evident in some of the non-adopters also who were selling their expertise within the third sector in a variety of ways, though such activity was not positioned within a strategic framework of resource mobilization as it appeared to be in the adopters.

Another tangible instance of business thinking was in how user pays was being utilized by organizations. Many of the adopter had integrated this practice where feasible. Most of the non-adopters where philosophically opposed to the inclusion of user-pays in a third sector organization except in some circumstances such as for participants contributing to non-essential activities that they value. Business thinking can shape third sector practices in a variety of ways.

In a number of the adopter organizations people where passionate and excited by the new horizons an entrepreneurial culture was moving the organization toward. However, there was varying degrees of receptivity to this by staff and many reported - particularly the non-adopters- such issues as: feeling strained by the burden of such a responsibility; ethically opposed to it; their skills and qualifications do not support such activities and; that they were looking to leave the organization because of the intense focus on staff taking on an entrepreneurial role.

Interestingly such a cultural split in the organization is similar to that of a 'torn country' which is referred to by Huntington (1996) as having "a single predominate culture which places it in one civilization but its leaders want to shift it to another civilization" (p138). Huntington goes on to say that people in torn countries "agree on who they are but disagree on which civilization is properly their civilization" (p138). There are parallels with this metaphor being applied to third sector organizations wanting to make the shift to becoming more entrepreneurial in mobilizing resources, yet the predominate culture exists in a different reality.

This 'tearing' was evident in both the adopter and non-adopter organizations often manifesting between the different layers of the organization: between the board and management or management and staff. In one of the adopter organizations it was the board encouraging the management and staff to stop and think through their business orientation and actions. Negotiating such tension can led to greater thinking through of ideas, the yard stick being 'will these business focused activities at the end of the day benefit the key constitutes our mission focuses on?' Many organizations used this as their litmus test.

This study has identified the possibilities that can open for third sector organizations in having access to these skills however it identified some potentially negative consequences. Some of the adopters reported swinging too heavily towards integrating business thinking in to the governance of the organization at the expense

of displacing their expertise in relation to their social mission. Adopters gave examples of losing their focus on some key programs in the flurry for successfully creating new resource streams, resulting in negative outcomes for constituents.

### *Networks*

The results identified the importance of networks in the uptake of SE and CBP by third sector organizations, confirming the relevance of network and exchange theories in the explanation of such phenomena. A third sector organization's complex position in the 'intersection of competing institutional spheres' (Alexander, 1998: p273) - between market and state - makes it particularly reliant on the power of networks and exchanges in conducting its work and drawing upon resources, information and legitimacy. The nature of many third sector organizations' mission means they tend to have a strong emphasis on networks with other third sector organizations as an essential component to harnessing opportunities and achieving organizational goals. Such processes are an essential part of socially focused work.

For the non-adopters their networks tended to be focused on other third sector organizations, whereas for the adopters the networks had expanded to include the business sector, with varying degrees of strength. In many instances the expansion of business networks was further extended as a consequence of having a SE or CBP. Clearly such networks presented the adopters with new opportunities to acquire resources expanding opportunities to implement programs that utilized those networks. The evidence showed how a CBP could progress from a financial exchange to having a diverse array of resources being exchanged. Examples include the establishment of a mentor program involving the active involvement of corporate executives with homeless youth; the provision of a bus for the organization; the outfitting of an office; and the provision of volunteers for specific activities.

It appears that a certain level of business knowledge and skill is required to successfully build networks with the business sector. Such skills also increase through building business networks. Attitude toward the business sector clearly influences whether business networks are developed. Business for many non-adopter organizations was viewed as inherently bad and holding untrustworthy motives: therefore the incentive to build networks was not present. For some non-adopters these fears were built through direct experience with business entities that they had attempted to build relationships with. Some could not continue developing a partnership due to the impure motivation and limited ethics displayed on part of the business.

For those organizations that have been successful in creating opportunities for mobilizing resources through business networks, the linkage point was not always from those governing the organization, that is the management or board. Staff proved to be just as valuable in creating linkages to opportunities. Many adopter organizations have created a culture where everyone is encouraged to take responsibility for seeking out entrepreneurial opportunities. For instance staff in one of the adopter organizations reported "I think it's in everyone's mind, everyone's looking out for opportunities. It has become part of the culture definitely."

Business networks have the power to support the transfer of learning about how to mobilize resources in new and creative ways through the market. Business networks provide an opportunity to observe business-orientated people engage in entrepreneurial tasks. Such access can affect one's judgment about the behavior required to complete such tasks and increase the confidence to undertake business-orientated activities (Pearlmutter, 1998). Refraining from building networks with business appeared related not just to ethical considerations but people's judgement in their capability to boundary span into the market sector. The issue of agency is explored next.

### *Self Efficacy*

A third sector organization might have the skills necessary to develop a CBP or SE but there is a difference between possessing knowledge and/or skills and the perception that one can *use* the knowledge or skills effectively in a particular situation (Bandura 1986). The notion of agency and self-efficacy emerged strongly in the analysis of the data. The concept of self-efficacy developed by Bandura has been studied extensively in organizations, particularly in relation to how people make judgments about their capabilities to mobilize motivation and cognitive resources to meet situational demands (Bandura, 1997; Gist & Mitchell, 1992; Stajkovic & Luthans, 1998; Chen, Gully & Eden, 2001).

Self-efficacy has been shown empirically to be a highly significant factor in explaining the attainments organizations make through their people. When looking at the issue of organizational change, Malone (2001) suggested that people with high self-efficacy tackle new ways of doing things at much higher levels of success than individuals with lower self-efficacy. This supports why it has been found such a significant variable in enabling the adoption of CBP and SE.

Bringing this concept to the current research, it was evident that the social agents in the organizations studied had high self efficacy in responding to the situational demands related to their organization's mission: particularly working with social needs nested within the fabric of the community. However when it came to considering entrepreneurial forms of resource mobilization the leaders of the non-adopter organizations and their staff did not feel they had the capabilities to develop social enterprises and community business partnerships. Their capabilities and priorities clearly lay in other domains. There was however a reported interest by many of the non-adopters to have enhanced capability in this area though this was also coupled with a caution arising from the inherent tensions they could foresee with putting such skills in to action.

The adopter organizations displayed greater levels of agency and belief in the possibility of initiating social enterprise or building bridges with the business world to expand their resource base. The need to innovate in this way was clearly on the agenda for the adopters and there was passion, optimism and commitment about making it happen for the sake of their mission.

Reflecting on the findings in light of the self-efficacy literature it seemed that both individual and organizational self-efficacy (Strieter et al, 1999) was important in developing a SE or CBP. Personal efficacy in this instance related to people's

perceptions about their individual ability to effectively use market intelligence to advance the social goals of the organization. Organizational efficacy perceptions related to the organizations' formally stated ability to effectively use this same type of market intelligence. To build individual self-efficacy people need opportunities to model and watch others perform the activities of developing a SE and CBP without negative consequences. At an organizational level they need the opportunity and capacity in the organization to try new ways of mobilizing resources.

The adopters had high organizational efficacy in the area of market intelligence even though some staff had low personal efficacy in this area. When recruiting new staff many of the adopters were focused on obtaining people who had high entrepreneurial efficacy. There are challenges in obtaining recruits with efficacy in the area of the mission in addition to market intelligence. Organizations developed specialized roles in response to this. Clearly third sector organizations are being drawn into needing to mobilize scarce resources in new ways. This requires restructuring and seeking opportunities for change to ensure constituents are served in the future.

### *Qualitative Comparative Analysis*

The model containing the variables discussed above was analysed using the Fuzzy-Set Qualitative Analysis software to distinguish what conditions are necessary and sufficient for third sector organizations to adopt innovative resource mobilization strategies. Given the limited number of cases (N=12), the test was done with the veristic method.

Necessity analysis: two necessary conditions are found for adoption to occur that is ORGANISATIONAL CAPACITY + SELF-EFFICACY.

Sufficiency analysis: The only sufficient equation was found for adoption as: ORGANISATIONAL CAPACITY\*SELF-EFFICACY with a fit measure of: 0.996. The presence of these two conditions appears significant in causing the adoption of social enterprises and community business partnerships. The discussion section explores the relevance of this finding for third sector organizations.

## **Discussion**

This research proposes that for social enterprises and community business partnerships to develop, organisational capacity and individual self-efficacy is of critical importance. The theoretical idea offered is that innovative resource mobilization is enabled through a combination of third sector organisational architecture and cognitive structures that engender efficacy in the face of resource constraints.

At an individual level the research suggests that people in third sector organizations need not only a knowledge frame of how to seek new forms of resource mobilization but also the cognitive structure that facilitates this knowledge being enacted with confidence in a way that enhances, not destroys, the social goals of the organization. Cohen and Levinthal (1990) also highlighted the critical role cognitive structures play in understanding innovation outcomes in organizations.

At an organizational level it appears that there needs to be a minimum level of capacity for innovation to occur. In this context the construct has been found to include organization form and design, human resources, culture, organisational practice and available 'slack' resource levels. Future research might identify, through quantitative variable orientated research, the extent to which organizational capacity is a higher order concept encompassing governance, business thinking and networks. It could also test the proposed model quantitatively with a larger sample of organizations from Australia and even contrast with other nations. This latter point would be interesting to test how much this orientation to seek resources from the market varies according to the degree of institutionalisation in the third sector in different contexts.

It is clear that social enterprise and community business partnerships can be seen as tools of change and opportunity in acquiring valuable resources. The main challenge is that third sector organizations have capacity in their form, governance and people to take up this opportunity. Governments have a major role in strengthening the capacity of third sector organizations to be able to manage the programs they provide on behalf of government whilst also supporting a capacity space for organizations to be innovative both in diversifying their resource streams and service delivery. Government's role in building organisational capacity is an investment in strengthening civil society.

Another major challenge is that the focus on the market doesn't cause a value creep and destroy the very fabric of what a community organization stands for. Some speak of the dangers involved (Bush, 1992) such as drifting toward competitively and economically based values and traditions or of particular services slipping through the gaps due to their non-marketable features. There was a conviction in many of the adopters that one could be in the market but not of it: that the ideology and values of the third sector could be maintained. It did appear that the focus on the importance of values, ethics and socially focused ideology did not differ between the adopters and non-adopters. Though there was acknowledgment about the intensity of what's involved in mobilising resources using a market paradigm and the compromises that can result in taking time away from their greatest priority – delivering on their mission.

One has to be careful in focusing on the importance of organisational capacity. The research identified a tension in getting the balance right with expending resources on the mission versus internally on the organization and it's internal development. There is a potential risk to the credibility of third sector organizations if they start to focus overly on their internally capabilities to acquire resources rather than it capabilities to deliver quality responsive services. However it was identified that these need not be mutually exclusive to one another. The research supports Bush's (*ibid*) assertion that governance is a key ingredient in maintaining a culture comprising such qualities as compassion, altruism and cooperation whilst walking in the for-profit world. It also suggests that walking in both worlds is possible because of the strong commitment to value based practice found in third sector organizations.

Clearly some organizations will be less suited than others to establishing an enterprise or attracting business partnerships due to the nature of their mission. Though the research supports that much can be gained from adopting these practices it warns

against being dazzled by the seemingly inherent goodness of all things entrepreneurial or innovative. Any of these practices are only going to be inherently good as mechanisms to serve the organizations mission and in their embodiment of the grass root values and ideologies the third sector is built upon. There are many challenges involved in adopting these practices, many of which there hasn't been scope to fully explore in this current paper. The greatest challenge is that all three sectors together – third sector, government and business - need to remain active, involved and integrated partners in order that the common good is served.

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