

**Crisis, failure and recovery and the governance of public and nonprofit organizations: the effects of participation**

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**Work in progress: comments and suggestions welcome**

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## **Introduction**

Good governance is an area of increasing concern and interest in the private, the public and the nonprofit sectors. But little is understood about what makes for effective governance particularly when the organization is under threat. Additionally, in both the public and nonprofit sectors, there are expectations that governance can fulfil multiple roles – including ensuring the representation of and accountability to a variety of stakeholders. A strong rhetoric of social inclusion and of citizen responsibility to participate in decisions that affect them permeates the ideology in the UK that emerges out of New Labour's 'Third Way' and indeed this is also strongly embedded in the values of many organizations in the sector. We believe these factors add complexity to the exercise of governance in nonprofit organizations; that this complexity is particularly exposed at times of crisis and that it has a particular contribution to factors affecting whether the organization can achieve recovery when things go wrong. This paper looks at how these issues play out in the nonprofit arena by examining some of the existing literature, drawing on a small number of case studies of organizations that have experienced serious problems and on feedback from focus groups of managers, trustees and experts working with organizations with problems.

Previous work (Mordaunt and Cornforth, 2004) on crisis, failure and renewal suggests that nonprofit boards can play a significant role in the recovery of the organization particularly when the initial problems have led to the departure of the chief officer. In order to address really serious problems successfully, boards have to step outside what is conventionally seen as their 'normal' role. The recovery is often led by 'inner circles' of board members, who need a 'safe place' (whether *formal* as in a small sub-committee or *informal* such as going to the pub for a discussion after meetings) in which to consider their options. Moreover, in order to achieve the recovery, in addition to skills, knowledge and 'industry wisdom', board members need time, commitment and emotional resilience to deal with and withstand the problems and difficulties they are likely to face. Given the way in which problems once exposed apparently multiply and escalate, it seems too that a twin track approach (Paton and Mordaunt 2004) is also needed where immediate pressing problems (such as financial shortfalls) and more deep-seated issues (e.g. long-standing systemic management failures) have to be addressed at the same time. Whereas our earlier writing has a more generic focus, this paper focuses on those organizations that have a commitment to involve their beneficiaries directly in the governance process. Is their experience of dealing with these problems different and if so in which ways? But first we look at what our terms mean and what the existing literature has to say on this topic.

## **Some Definitions**

In the earlier paper (op.cit.) we suggested that failure was not an objective state, but was socially constructed over time (Anheier and Moulton 1999b). In the literature there is no clear, consistent use of the term and words like failure, crisis and fiasco (etc.) are used interchangeably (Mellahi et al. 2002, Mellahi and Wilkinson, 2004).

Moreover there is a problem in the public and nonprofit sectors in that failure can be more difficult to measure and assess than in commercial organizations. The 'double bottom line' means that success has as much, if not more, to do with sustaining the values of the organization and meeting the needs of beneficiaries as with the financial sustainability of the organization, unlike the commercial sector where the maximisation of profit is critical (Walshe et al 2004). In this paper we take failure to mean that at least some of the key stakeholders in the organization believe that it faces problems that seriously threaten its legitimacy, resource base or even its survival.

Recovery in business literature is usually discussed in terms of 'turnaround'. In our paper we have defined this as 'substantial and rapid performance improvement (involving, for example, reducing and/or redeploying assets, reconfiguring internal arrangements, and restoring external confidence and relationships) sufficient to re-establish (organizational) viability in the face of impending failure' (Paton and Mordaunt, op.cit. p209). Frequently cited authors include Slatter (1984), McKeirnan et al (1988) and Slatter and Lovett (1999). Almost all the literature relates to commercial sector organizations with the exception of Meyer and Zucker (1989) and Anheier (1999). However we note in this paper that although there are similarities between the sectors this process of recovery is more complex in the public and nonprofit sectors because:

- The concepts of failure and performance in nonprofit organizations are much more problematic and contested at organizational level than is acknowledged in most policy discourses (Paton 2003).
- Politics pervades the process with complicated patterns of stakeholder involvement.
- Pressures for 'quick wins' from funders and politicians may not allow the time needed for necessary substantial changes to be achieved.

In addition there may be different types of recovery process needed depending on how pressingly the problems present themselves. Brewster (2004) suggests that there are different contexts for failure. Hence if funders are pressing for change and threatening to withdraw funds *turnaround* may be what is required. But in other circumstances where more gradual creeping failure is apparent (given the absence of immediate financial pressure) what is needed is *renewal* and where the organization realises it needs to change and has the resources to address this then *re-orientation* may be what is needed. It is a matter for conjecture at the moment, to what extent these circumstances entail different strategies for recovery being adopted.

Nor is every organization necessarily concerned to maximize performance. Meyer and Zucker (op.cit.) suggest that there is a false assumption in nonprofit organizations that all stakeholders in the organization are interested in achieving maximum effectiveness. They suggest that in some cases whilst the board and funders may be interested in effectiveness, others such as staff and beneficiaries may be more concerned to maintain the organization in its current form. This can make it more difficult to achieve a 'coalition for change', particularly in nonprofits where these relationships are more complex and may lead to a state of paralysis where change is blocked. They term this 'permanent failure'.

These issues are further complicated, we suggest, when the organization also has a participation agenda. Participation is often a requirement on the part of funders and other external stakeholders such as government agencies as Taylor (2003) notes. There is a strong extrinsic drive for this from government and the European Union, but this is also deeply embedded in the values of nonprofit organizations, at least in the UK and in international terms as a way of empowering the powerless (Freire 1972, 1985 for example). This is now the flavour of the times. Bevir and O'Brien (2001) argue that New Labour in particular has dealt with the problem of the New Right challenge to the welfare state by reconceptualizing the relationship between the citizen and the state as one in which the state provides suitable opportunities for the citizen and the latter then has duties to utilise these. Part of this agenda is a partnership between the citizen and state that carries with it the implication of involvement by citizens in decisions that affect them.

But what does this term participation mean? We have taken the OED definition 'to take part' (Governance Works, 2003). This has advantages. Participation is usually couched in terms of disadvantage (see above): 'excluded' citizens in the form of community activists from poor areas or service users who otherwise would be 'done to' rather 'done with'. This participation can take many forms and may range from mere consultation (i.e. being asked for an opinion) to full control of the decisions that affect citizens. This is often presented as a ladder of participation with many different versions (e.g. Arnstein 1969 in Taylor op.cit.). These forms of participation can include user forums, citizen juries, and focus groups and so on. However we want to focus specifically on participation in governance and to cast the definition of participation more broadly to include organizations run by members such as professional associations and self-help groups of various kinds. This allows us to move away from the notion that it is only the poor and disadvantaged who find engagement in governance problematic and to suggest rather that a more wide-ranging and systematic confusion reigns in this area.

### **Muddles and Confusions**

Muddles and confusions about participation occur at several levels. Firstly there are muddles over terminology and language. Locke et al (2003) point to confusions about precisely what is meant by user empowerment/participation. Robson et al (2003) root *user-involvement* in the decision-making processes of organizations (i.e. governance and management) and go on to distinguish between 'user-centred user involvement' (users set the agenda and decide the processes) and 'management-centred user involvement' (agenda and processes defined by existing structures). We suggest that these distinctions are rarely clarified in organizations. In our management course (Open University 1995) we identified 10 different terms often used interchangeably for forms of participation in governance that actually carry quite different implications for the level of involvement and the degree of power and control that is being ceded to the participant.

Secondly there are muddles and confusions over the purposes of governance. Much of the literature on participation in governance starts from the premise that this will allow beneficiaries to shape and/or control the services provided for them, improve accountability and increase satisfaction levels/ownership of social provision. These assumptions, though legitimate and important, presuppose some key issues about

governance: namely that governance is primarily about:

- Negotiating strategic principles and priorities
- Accountability (formal reporting to key stakeholders).

These assumptions come from the political/ democratic/ stakeholder/ representational models of governance (Cornforth 2003). The drive is (i) for beneficiaries to have a major impact on services because they participate in meetings where real decisions are made and (ii) for acceptance that 'the priorities and aspirations of service users being at the centre of every aspect of the work of ...organizations' (Robson et al 2003 p1).

These assumptions have a sound pedigree in community development, advocacy and civil society where the focus is on adjusting the power relationships and increasing ownership of public services by disadvantaged groups. But they are problematic when transferred wholesale into governance practice in voluntary organizations. Accountability especially to key external groups and agencies, and devising and monitoring strategic commitments are only *part* of the responsibility of voluntary boards. Agency or stewardship models of governance presuppose board members have a wider set of functions including overseeing performance, finding income, being employers and problem-solving management dilemmas. The board is also ultimately accountable for the consequences of financial and employment dysfunction (Charity Commission, 2002).

The third set of confusions is around organizational values. The values of user involvement and consultation are strong ones in this sector. However, in many cases (including the National Lottery as a funder) a test of the 'pedigree' of the organization has been the extent to which the board is diverse and representative of beneficiaries. Although the right of beneficiaries to be properly consulted and their representatives to be involved in high level strategic processes are fundamental principles, it does not logically follow from this that all voluntary organizations should have beneficiaries on their boards or that diversity should be the first principle in selecting/electing board members. Firstly, it is possible to respect and involve users in many different ways (e.g. Locke et al 2003 in Cornforth ed. op.cit.) aside from membership of the board itself. Secondly it depends on the core values and purposes of the organization as to whether putting beneficiaries on the board is considered appropriate. Even if it is, there are still differing potential degrees of involvement (Otto 2003). Self-help or advocacy groups generally have a high level of user involvement compared to organizations dedicated to providing grants or that do not have obvious individual beneficiaries such as environmental campaigning organizations.

A further set of value confusions arise from the competing values of pluralist democracy and rational scientific management (Taylor 2003 p108). The spread of the 'new public management' as Taylor explains, entails evidence based policy, audit, regulation and accountability with concomitant reliance on performance measurement and evaluation. This is evident in the approach to the oversight of charities by the Charity Commission where concerns are with financial probity and reporting, clear definitions of roles and responsibilities and adherence to the law. Yet this approach sits uncomfortably with a participation agenda that entails involving people who may, at least initially, lack the confidence, experience or the skill set to participate in

governance.

This poses dilemmas including role conflicts for managers and boards in nonprofit organizations, where they are expected to:

- reconcile expectations of *professionalism* (that the board members have the skills and expertise to run the organizations) with *representativeness* (of stakeholder groups).
- focus on both *conformance* (ensuring that the board acts in the interests of 'owners' and 'stewards' their resources) and ensuring the *performance* of the organization (adding value to strategy and major decisions).
- maintain relationships with each other that on the one hand are *controlling* as employers and employees whilst at the same time acting as *partners*. (Cornforth 2003)

This last relationship is further complicated in that in most cases boards are totally reliant on their employees for information about the activities and performance of the organization. As Hampden-Turner (1994) points out observing the corporate sector, these dilemmas are not either/or choices, but both/and. There is not a choice about which one to focus on – both are required in different policy contexts. It requires considerable sophistication on the part of both managers and board members to negotiate these complexities.

How are these complexities revealed when crises occur in organizations? Our paper sets out to explore what happened in four organizations that faced problems and that also put a high value on participation, uses evidence from focus groups and other expert discussion and goes on to suggest some avenues for further research that are indicated by the issues exposed.

### **Research Methods and Cases**

Given the difficulties involved in studying failures and crises (Pearson and Clair, 1998, p. 74) the research methodology was necessarily opportunistic (Buchanan et al., 1988). In the initial phase of the research, presentations were made to and discussions held with practitioners on organizational failure and recovery. As a result, a number of people offered to be interviewed about their own experience of particular cases of organizational failure. Another case was presented at an academic seminar series and yet another case was identified via a plea for help from the board to one of the authors. Information was gathered in three cases using in-depth interviews of one to two hours. In the final case, interviews were held with key board members and two staff members.

Inevitably, the views of individual managers and board members are likely to be partial and one-sided. In order to combat problems of managerial bias, Mellahi and Wilkinson (2004, p. 34) suggest that perceptual data should also be gathered from outsiders, such as industry experts. In this vein we also gathered data from a focus group of practitioners and advisers to non-profit organizations and interviewed a leading financial expert working on organizational recovery issues in the sector. From feedback in the focus group, and the interview with the expert, the cases do appear to tell stories that other practitioners recognize. A broadly inductive approach was taken to analysing the qualitative data from the interviews and focus group,

identifying common themes and issues that arose in each, which were then related to our broad conceptual framework.

### **The Evidence**

The four cases are very different. The first is a community-based, urban regeneration project (URP) in a deprived part of a British city. The second is a long-established professional membership association (PMA). The third is a major large disability charity (Ablecare) and the fourth (Oak Children's Centre), is a parent-led workplace children's centre. Details of the cases are outlined in Table 1.

In each case there was some kind of participation agenda. In the URP, it was community involvement. In the PMA, all the board were members of the association. In Ablecare, the board comprised carers and service users (50% of board members were disabled people) and lastly in Oak Children's Centre, the board was comprised of parents of children using the nursery. Each of these case studies involved different forms of participation with different types of people involved in terms of confidence, life experience and status. So were there any similarities between the cases?

### **Some commonalities**

Firstly all the organizations experienced some kind of financial crisis which acted as the trigger for action. In the first case having been given a large sum of money to dispense to the local community, the Chair of the URP directed some to local organizations that did not fit the funding criteria without the knowledge or approval of the rest of the board. It appeared that he was trying to gain favour in an area where he was seeking election to the local council.

In the second case, the PMA, although ballot-rigging for the board elections exposed the organization to scandal and public shame, the underlying more fundamental problem was a gradual decline in funding over about 10-15 years that had not been addressed. Previously, the organization had not had to give much attention to funding as members would subscribe fairly automatically, but government funding cutbacks in the 1980s had meant a decline in the willingness of employers to subsidize membership. This meant that the organization was living beyond its means and by the late 1990s it could no longer sustain its staffing levels.

Similar issues were around in Ablecare. There had been about 11 years dependence on a very lucrative funding-raising mechanism which had allowed the organization to invest in properties that were used to accommodate very severely disabled people. However, this ended with a change of government policy and it took the organization another 10-15 years to begin to address the problems thus created.

In Oak Children's Centre, a refusal by the board to increase the fees one year, led to a major financial shortfall.

Table 1 - The Four Cases

<b>Case</b>	<b>URP</b>	<b>PMA</b>	<b>Ablecare</b>	<b>Oak Children's Centre</b>
<b>Type of organization and participation</b>	Community-based, urban regeneration project (URP) in a deprived part of a British city. Run by community activists.	A long-established professional membership association. Governance by members of the profession. High prestige to be elected to governing body.	A national charity for people with a particular disability. Membership organization comprised of affiliated local groups, of carers and of people born with the condition.	A local parent-led charity providing full-day care for children under 5. User – led: parents of children at the centre
<b>Problem(s) to be addressed</b>	Misuse of funds, which precipitated the resignation of the chair. Once collusion with the chief officer had been exposed other management problems also rapidly became apparent.	The chief executive frustrated with the blocking of 'reform /modernization' by two members of the board, sought to remove them by illegitimate means. The discovery of this by the board provoked the initial crisis. Emergence of on-going funding crisis. 3 CEOs and an interim manager in 10 years.	Historical legacy of inappropriate provision (fashions change) and debt problems due to cessation of long-standing funding scheme. 3 CEOs and an interregnum in 10 years.	Financial crisis but underlying problems re weak and ephemeral governance and absence of effective communication between centre and board.
<b>Leadership and subgroups</b>	One board member with previous experience and who had trained other boards. Informal subgroup met in pub to discuss way forward.	High status chair. Unwieldy policy sub-committee of 35 from which board members nominated. Forced to take action over election fraud.	Very strong chair with a vision for the organization. Acted as CEO as well in interregnum finally appointing someone capable of leading the recovery process. No evidence of subgroups	Problematic – In absence of any strategic leadership from chief officer, board stepped into a number of operational areas. Board subgroup of office-bearers meeting without chief officer or other staff.
<b>Particular constraints to action</b>	Most people in the organization lacked experience of managing projects. Politics of the local council meant officers reluctant expose problems	Board focus on values and mission of organization plus low interest in organizational process and strategy. Reluctant to concede authority to manage this to CEO. No real understanding of small non-profits as most had professional or local authority experience.	Time spent equipping service users to participate effectively and to develop 'user leadership'. Tensions between users and carers over change direction and values.	Board members feel constrained because they are also service users. Huge knowledge gaps about roles, responsibilities and processes.
<b>Access to expertise</b>	Had to go looking for help and know where to look. Accessed Regional Development Agency and Council of Voluntary Service	Regarded themselves as experts and as not needing other expertise.	Two externally recruited change managers failed to address organization culture. Successful change manager was 'home grown'.	Some – seconded financial and HR advice but largely ineffective.
<b>Degree of success in recovery</b>	Some success, but weak understandings of management and process led to other problems	Possible example of 'permanent failure' Meyer and Zucker (1989)	Yes – reoriented to focus on service delivery (social care and education) and campaigning on civil rights agenda.	Unknown at present – ongoing – but poor prospects.

However, once each of these organizations started to tackle these problems, in all cases a raft of managerial and organizational problems were exposed. The URP had been turned from a community association with no paid staff into an urban regeneration partnership with four staff and substantial grant-giving powers with little preparation: there had been no board development, few systems and procedures established and no preparation for becoming employers, which led to poor staff management and made it easier for the misuse of funds to occur. The PMA had an unwieldy governance structure and there were on-going power struggles between the board and the chief executive. Ablecare was behind the times in maintaining institutional care at the time of the shift to community care; its management was ineffectual (with for example in field work inconsistent job descriptions and confused lines of accountability) and there were unaddressed tensions between the interests of carers and service users. Oak Children's Centre had a weak and ever-changing board. (Board members rarely remained involved for more than 2 years as their children left the centre at age four). There was confusion about roles and responsibilities and board members had been drawn into operational issues; there was a lack of basic management systems and procedures with staff tending to focus on child care issues and management was by reactive day to day 'muddling through'.

In all cases there had been a dominant (usually long-standing) personality on whom the organization had relied. In the case of the URP the chair had been involved since the inception of the organization some 18 years earlier as a tenants' association. He had surrounded himself with people who were friends on whom he felt he could rely. There was reluctance on the part of board members to question or challenge his judgement.

*'...a lot of them were rather hand selected by the chair and were picked as they would not challenge and would always go along with what (he) wanted.'*

In the PMA the issues started to unravel after a long-established (20years) CEO retired in 1993. There had been four CEOs since then (including one interim) and whilst the first of these had been able to push through some changes in the governance structure, there was a marked reluctance on the part of the board to delegate authority to the CEO. In Ablecare, there had been long period of drift between the ending of the funding 'cushion' and the start of processes to change direction. Here too there had been several changes of CEO. The first knew what to do but could not carry the board with him. The second's relationship with the chair broke down very quickly. The chair who was also a very dominant person (and affected by the condition) then ran the organization himself for two years. Finally an 'insider' was promoted to the position of CEO who was allowed and empowered to carry forward some key changes. In Oak Children's Centre, the centre leader, in post for 11 years, provided the only continuity the board had. This in itself gave her enormous power over change. All she had to do was wait a couple of years and the board would be different.

The common factors then were:

- financial problems as a driver for change
- long-standing ineffectual or bad operational management
- poor and in some cases corrupt governance
- a marked influence of dominant personalities.

Interestingly these factors are consistent with those identified in other studies (Mordaunt and Cornforth op.cit.). So did the wider participation agenda have effects in each of these case studies in addition to these four factors? We now turn to the ways in which the dilemmas impacted on the organizations and whether there was any additional complexity added to dealing with the crises.

### **The Effects of Participation**

Although participation adds complexity to the dynamics of the board when dealing with crises, it is by no means all negative. For example in the URP involvement of community activists on the board meant that they had a strong motivation to resolve the matter in the interests of the community:

*'(because) the individual people in (our area) won't get a voice... we want to see it continue for the community and I think we realised that the only way to do that is by having this community involvement, this little voice from the bottom and if we do let it go, there's not going to be that little voice. Sometimes it doesn't get listened to... but if it's not there, certainly nobody will do anything...'*

Similarly in Oak Children's Centre – the parents' commitment to keep the centre going was both affective and instrumental. They valued the family atmosphere that the centre provided and felt that their children were well-looked after. But they also all needed reliable childcare to enable them to work. In Ablecare too – fears that the organization might cease to provide the kind of care and support for service users created great anxiety amongst board members that some people might lose their homes.

However, the commitment of board members also created dilemmas. The personal need for the service provided drove board members to seek to rescue the organization, but it can also cause them to block necessary changes. It is as one member of the children's centre committee observed

*'hard to step back from my needs and look at what the organization needs...'*

It was this that led to the decision not to raise fees – the cause of the initial crisis in the centre. They also had concerns that taking action to resolve some of the problems might have a negative impact on how their children would be treated by staff.

Similarly strong ownership of the mission and values of the organization was a major problem at the PMA. Successive CEOs saw the need to modernise and change the organization's mission, yet this was fiercely resisted by some on the board because of their investment in the status quo. Two board members had previously been staff members and there was a strong commitment to the original vision the organisation had been established to address. Similar issues arose in Ablecare and this was made more complex by differences of view between carers and service users. The former were worried about a decline in provision for their children and relatives. The latter were also concerned to promote the 'social' model of disability. These strong feelings can make it hard to create a coalition for change. One expert observed that there was a tendency to focus on 'mission rather than management' by which he meant that there

was an excitement in furthering what the organization was set up to do, but there was a lack of interest in and attention to establishing the processes by which this might be achieved. It is possible that this was simply outside the experience of the board members and therefore they did not see the need to do this.

Perhaps the biggest impact of participative involvement on the boards in these cases though was to slow down and in some cases stop the process of recovery. This was mainly brought about by *ignorance of key information*. Many board members in these organizations seemed not to know 'what they didn't know'. In the URP, it was the arrival of a more experienced board member, also on the board of the local credit union that triggered the asking of questions about how grants were being made. However, once the board understood that it needed to inject an 'element of management' it got into further difficulties as these ideas were applied rigidly and the organization at the time of interview was dropping into another crisis.

In Oak Children's Centre, although all the parents were well-educated and in professional work, they took a long time to understand what they were supposed to be doing. Most felt that in their first year on the board, they didn't really understand their responsibilities and by the time they did, it was time for them to leave it. This lack of understanding was a major factor in the refusal to raise the fees: they did not appreciate the consequences of NOT doing so. This was compounded by the fact that the Centre Leader did not have a job description that required her to support the board. There had been as a result little board development and the board had to service itself. In the PMA, the issue of ignorance was somewhat different. Although the members were very knowledgeable about the profession, they had little knowledge about how to run a small nonprofit organisation. But they did not see this as a problem.

The other factor that slowed down the recovery process that flowed from dealing with the problems of ignorance is the *time* it takes to bring inexperienced board members up to speed. In Ablecare, committed to giving voice to disabled people including involvement in governance, there was substantial investment in board development. There was recognition of the need to build the confidence of their board in doing things and that it takes time to involve disabled people properly. Time (and the resource implications it carries) however, is often lacking when the organization faces problems and it can be overwhelming for people who feel that they are groping around in the dark, not knowing what they should/could be doing. This can lead to resignations, as at Oak Children's Centre where at the AGM half the board stepped down and only two new members were forthcoming. When life is stressful and participation in the board is not fun, people can vote with their feet.

How then do these factors relate to the complexities and dilemmas of combining governance and participation identified earlier? The key to understanding these relationships is found most clearly by unpicking the organisational processes underlying both individual and group behaviour.

### **Underlying Issues**

At one of the focus groups we held, it was suggested that a cause of failure in voluntary organisations was '*differing sources of power with no means of negotiating these*'. These four cases underscore the issues this statement raises. In groups and

organizations, individuals may exercise power and authority (power that is viewed as legitimate) because of:

- their *position* by virtue of their role in the organization
- *control of resources* such as money, materials, personnel, technology or customers
- *social connections* such as linking the organization to wider social networks
- *expertise* such as financial, fundraising or legal knowledge
- *control of information* which allows them to shape the view of the organisation in ways that serve their interests
- *personal power* – personal qualities that enhance an individual’s standing with others.

(French and Raven, 1960)

Most of these sources of power rest either with staff or with board members with specialist knowledge and / or well-connected to social networks. What the participation of users or clients offers boards is *legitimacy*. This means that the organization’s mission and values match the users’ perception of their needs and the users have access to a particular type of expertise that is rooted in the knowledge and experience of the particular difficulties that face them. This can be enormously powerful when used in conjunction with the professional expertise of the staff of the organisation. As one chair put it, describing the process of leveraging funding in an earlier study (Mordaunt, 1992),

*‘It’s very difficult for a senior civil servant to say – they could say to a (staff member), you don’t know what you are talking about – but to say to the parents of children with learning difficulties that, you don’t know what you are talking about – senior civil servants wouldn’t do that.’*

It is suggested that this difficulty in challenging the views of beneficiaries is also found in board relationships, particularly where the difficulties faced by users involves some kind of stigma. Moreover one of the issues facing socially excluded people in particular can be a lack of opportunity to acquire status, respect and power with the consequence that when such rare opportunities are on offer they are not always used to best effect.

An example is the chair of the URP. He had built himself an organization that would give him significant amounts of power, status and respect and he was prepared to operate outside the funding remit to build himself advantage in the community until challenged and exposed by a new board member. Equally other experts have given examples where people get into positions of authority which is fine when things are going well, but beyond their capacities to deal with when the organisation has real and sustained problems. They then become an additional obstacle to progress:

*‘(he is) a serial chair because he sounds very ponderous and sensible, but he likes sticking his oar in and he tends to do it at inappropriate times, rather than being a facilitator, being an interferer.’* (Expert Informant)

It can be really difficult for chief officers and chairs of organisations to negotiate around these different power bases and so the tendency so often is to ignore the problems unless forced to face them. The problem then comes when the organization

faces serious difficulties, as in addition to negotiating the recovery, the relationships that should have been negotiated from the outset also have to be clarified and agreed. A focus group of senior nonprofit consultants suggested that in their experience, the problem was actually greater. Not only do many chief officers *lack the ability* to negotiate these relationships, they also *lack the will*; some viewing it as too dangerous to their interests to have a healthy and vigorous board.

In the URP whilst the initial chair was in power, the rest of the board was disempowered and unable to challenge him. In the Oak Children's Centre there was an inner circle which sought to bring about change but they were blocked by the chief officer. This was compounded by poor communication within the board so that only some knew what was going on. In Ablecare, there was a powerful chair around whom staff had to negotiate to move forward. In the PMA, there were interesting variations on this. The board had between them a great deal of expertise and position power. (They were the 'great and the good'). This made it extremely difficult for successive CEOs to negotiate the authority to change things and it was this that led the first to a director rigging the ballot for the board! Clearly he thought his task would be easier without two particularly difficult individuals. The current CEO felt that:

*'There's an assumption that they all know how to do whatever it is. They don't listen to advice possibly. My feeling is that they may know how to do it, if they were here doing it but they're not and they need to listen to me. .... I think there is a feeling that they don't take seriously a lot of the things that I take very seriously....'*

This confusion also spills over into the external environment in other interesting but perplexing ways. As was mentioned earlier there is a tendency for external stakeholders, such as funders or policy-makers, to 'sanctify' participation in ways that make it complicated to challenge and tackle problems openly. For example in the URP, although our informant thought that officers of the Regional Development Agency, and the local council, must have realised that there were serious financial problems, they did nothing. The reason for this was that the chair was a member of the dominant political party and a candidate for office. In her view the statutory officers simply did not want to raise issues that might cause problems for them with their own politicians. This kind of behaviour can have the effect of creating 'open secrets' where everyone knows there are problems in an organization, but no one can muster a coalition to deal with them .

Clearly members of failing organisations, be they board members or manager, are confronted by a myriad of complicated problems, some of their own making, that maybe compounded by the dilemmas inherent in combining governance and user or client participation.

## **Conclusion**

Based on the four case studies, the commitment to users or client participation in governance does not as such predispose an organisation to crises. Other factors will also be present in failing or failed organisations.

A concern with participation in governance can both help and hinder recovery, depending on the impact of how board members attempt to rescue their organisation.

But it can weaken vulnerable organisations if

- there are serious tensions, or even conflict, between the various stakeholder in participation (e.g. carers and users),
- there is a history of ineffectual, or non-existent, board development
- there is a background of poor, or conflictual, board staff relationships
- there is collusion from key external authorities or excessive use of power on their part
- there is ineffective or limited use of expertise in organisational recovery and managing change in nonprofit organisations.

We would advocate that there should be further research undertaken focusing specifically on differential sources of power and how these help and hinder the ability of boards to negotiate the problems and personalities they face. This would uncover the processes that lead so many boards (and their paid management staff) to ignore huge problems and hope they will go away. It is also necessary to continue to test out the emerging framework of (a) triggers and (b) underlying conditions on a wider range of organisations that fail, or are failing, whether or not they are committed to user or client participation in governance in order to examine its robustness.

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