

MANAGING DEVELOPMENT ORGANISATIONS:

***A PROCESS-BASED ASSESSMENT OF AUSTRALIAN-
BASED NON GOVERNMENTAL DEVELOPMENT
ORGANISATIONS***

By

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**A thesis submitted in total fulfilment of the requirements for the
Degree of Doctor of Philosophy at Victoria University**

**School of Management
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2003

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ABSTRACT

This study focused on Australian-based non-governmental development organisations (NGDOs) (also referred to as non-governmental aid agencies). The study used a telephone survey of eleven agencies and a mail survey of forty-five agencies to make inferences about organisational processes of delivering development assistance, together with an evaluation of the contribution of organisational factors and external environmental factors to the delivery of that assistance.

Those aspects of organisational factors that were selected for examination were restricted to two areas, namely (i) *organisational structures*, and (ii) *strategies* for financial resource mobilisation and service delivery. The external factors selected were (i) the external *stakeholders* of non-governmental aid agencies (development clients, partner agencies, donors, governments, other aid agencies) and (ii) the *macro environment* factors.

In examining these issues, the study found that:

1. In spite of the diversity within the non-governmental aid agency sector, the processes of service delivery could be broadly labeled into the following sub-processes (i) project identification and initial assessment; (ii) project implementation; and (iii) project monitoring, evaluation and impact assessment. Within each of these three sub-processes, a fourth sub-process – a project sustainability process was identified. These processes, and the micro-processes within each of them, were identified in a wide range of organisations, representing different development sectors, size, scope of operation, goals, policies and objectives. This suggests that irrespective of the diversity within the sector, there are underlying principles that govern the development assistance role of aid agencies.

2. Within the broad service delivery process variations existed between agencies in respect of how the steps within each sub-process were managed. The organisational factors, structures and strategies, accounted for some of these variations in the processes. In addition, respondents identified organisational policies, working principles and the learning experiences as accounting for some of the variation. It was observed that whereas some agencies attempted to change those organisational factors that they perceived as disabling to the process of service delivery, others were unable to change owing to resource constraints.
3. The intervening effect of the external environment on process was also examined. Whereas all the agencies were faced by a similar external environment, their responses to the environment were varied, consequently varying the process of service delivery. External stakeholders were categorised as having a significant influence on the process, as their expectations formed the criteria against which the performance of aid agencies was judged. Within the stakeholders, however, there were the more powerful donors and governments and the less powerful development clients and partners. The challenge for the aid agencies was therefore to not only respond to stakeholder expectations in ways that promoted an effective service delivery process, but also balance between the stakeholder expectations, to ensure agencies' credibility was not undermined. Responding to the changes in the macro environment was considered especially difficult, as the task of examining and interpreting trends was complex, and appropriate responses hard to determine.
4. From the evidence gathered, it is clear that organisational factors within aid agencies and contextual factors influence the process of service delivery. Thus, for aid agencies and others involved in development assistance, evaluating project work by focusing on the outputs and outcomes of specific

projects and on the capabilities of development clients and partner agencies in developing countries begs half the issue. The context for success or failure is much broader. A wholistic critical examination of organisational factors within aid agencies and the contexts within which agencies operate ought to be included in any assessment of development outcomes. Such an assessment will enable practitioners to account for mismatches between intentions and outcomes of development initiatives in a comprehensive way. Any assessment short of these factors will always be inadequate. The significance of such an extensive critical evaluation of the outcomes of the work of aid agencies, would be the development of an elaborate guide to good development management practices that aid agencies can use to improve on their performance.

DECLARATION

I declare that this work has not been previously submitted for a degree or diploma in any university. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

Ruth Njoki Kiraka

March 2002

ACKNOWLEDGMENTS

I am grateful to staff in various university departments that have assisted in different ways. These include the School of Management for providing the necessary logistical support, the Postgraduate Research Unit for assistance and guidance through the research process, and the International Branch for providing the necessary information and assisting me to settle down to an international student life in Australia.

Special thanks to my supervisors, Dr. Karen Manning and Associate Professor Anona Armstrong for their availability, consistent advice, encouragement and attention to detail that have guided me through all the steps of the process. A word of thanks to Dr. Stephanie Miller and Dr. David Worland for input at the application for candidature stage and Dr. Wayne Mortensen and Mr. Patrick Foley for their advice in developing the research instruments. Thank you all for the time and effort you invested.

I am very grateful to the eleven organisations that participated in the telephone interviews, for their openness and willingness to discuss a wide range of issues, and to the forty-five organisations that kindly responded to the mail survey. Thank you all for providing me with the rich data and materials necessary for a comprehensive study.

A word of thanks to some very special people: my friends Stephen Kaba, Pam Wong and Malcolm Anderson for their constant support, friendship and care; and to my family David, Samuel, Lydiah, Beth, Fred and Faith, and above all, my dear parents James and Margaret for their love, financial support, encouragement and prayers – and for whom this thesis is dedicated.

DEDICATION

To my dear parents, James and Margaret Kiraka

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Non-Governmental Development Organisations (NGDOs) form part of a larger community of agencies and organisations involved in international development. Over the past several decades, NGDOs have become major players in the arena of international development (World Bank 2000a). They are playing an important role in the preparation, design and application of development strategies and options. Even though their influence and importance vary according to the context in which they operate, their expansion in size and number in recent years is undeniable, as is their active role in search of development strategies to benefit their various stakeholders (Streeten 1997; Wallace 2000; World Bank 1996). While statistics about global numbers appear incomplete, the World Bank (2000a) estimates that from 1970 to 1985 total development aid disbursed by international NGDOs increased ten-fold. In 1992 international NGOs channelled over US\$7.6 billion of aid to developing countries. It is now estimated that between ten and fifteen per cent of total overseas development aid is channelled through NGOs (ODI 1996; World Bank 2000a).

Other sources have documented a similar kind of growth and prominence of the NGDOs in the overseas aid arena. The trend has been towards expansion in number, size and the volume of aid transferred through them to developing countries (Charlton & May 1995; Hulme & Edwards 1997a; Salamon & Anheier 1998; Smillie 1995b; Sogge 1996; *The Economist* 2000; World Bank 2000a).

To be clear about the type of NGDOs under discussion, it is important to distinguish NGDOs in developed countries from those in developing countries. This distinction is significant to the current study. Much of the literature has labelled NGDOs as either Northern or Southern organisations (Bebbington & Riddell 1997; Eade, Hewitt & Johnson 2000; Fowler 1997, 2000; Hulme &

Edwards 1997a, 1997b; Lewis & Sobhan 1999; Salm 1999; Sogge 1996; Stirrat & Henkel 1997; Streeten 1997; Turner & Hulme 1997; Wallace 2000).

Northern NGOs are based in a developed country, and primarily act as funding organisations for program work in developing countries (Sogge 1996). Their principal aim is to contribute to the reduction of human suffering and to the development of poor countries (Streeten 1997). They are therefore legitimised by the existence of the world's poor (Fowler 1997). Some Northern NGOs may, however, have program offices in developing countries, thereby acting as both funding organisations and implementers of development programs (Sogge 1996).

Southern NGOs on the other hand, are based in a developing country and often act as intermediary organisations, through which aid from the North is delivered to target beneficiaries in the South. They are primarily implementers of development programs (Sogge 1996). The relationship between Northern and Southern organisations has therefore predominantly been one of resource transfer to the South (Fowler 1997; Sogge 1996; Streeten 1997).

The current study focuses on NGOs in Australia and the discussions are therefore mainly about Northern NGOs. Literature on Southern NGOs has been used in as far as it discusses the relationships of Southern and Northern organisations.

Writing from an Australian standpoint, however, this geographical dichotomy of North and South seems inappropriate since Australia is a 'Northern' country in the South (Staudt 1991). As such, the working terminology 'donor NGO' (representing NGOs in developed countries) and 'recipient NGO' (representing NGOs in developing countries) have been used to distinguish between the two categories.

The researcher appreciates the criticisms that have evolved from the use of the terminologies 'donor' and 'recipient'. They imply a 'controller' and 'controllee' of the development process (Staudt 1991). The unequal power relations that

evolve from that implication have hindered the development of authentic partnerships between donors and recipients – partnerships that are crucial for the success of international development (Fowler 1998). However, in practice, there does appear to be a ‘controller’ and a ‘controllee’, and perhaps it is important to acknowledge its existence even though it may not seem acceptable. As observed by Charlton and May (1995:248), ‘periodically, the donor NGOs¹ demand that their “partners” open up their books and hearts to explaining what they have been doing with “their” (donors) money. However, recipient NGOs have no such privileges and access to the hearts and minds (and accounts) of the NGOs from which they receive money.’

However, it is not the intention of the researcher to engage in discussion on the merits and demerits of the use of the terms ‘donor’ and ‘recipient’. As such, the terms have been used as defined in the Oxford English dictionary – recipient simply meaning ‘one who receives’ and this may not necessarily mean ‘weaker’ or ‘being controlled’, and the donor simply meaning ‘one who contributes something, such as money, to a cause.’

A simple model of the link and relationship that exists between donor and recipient NGOs is presented in Figure 1.1 below. The relationship between donor and recipient NGOs is, as these labels suggest, one in which the donor organisation mobilises resources (funds, personnel and expertise) and these are translated into development programs in developing countries.

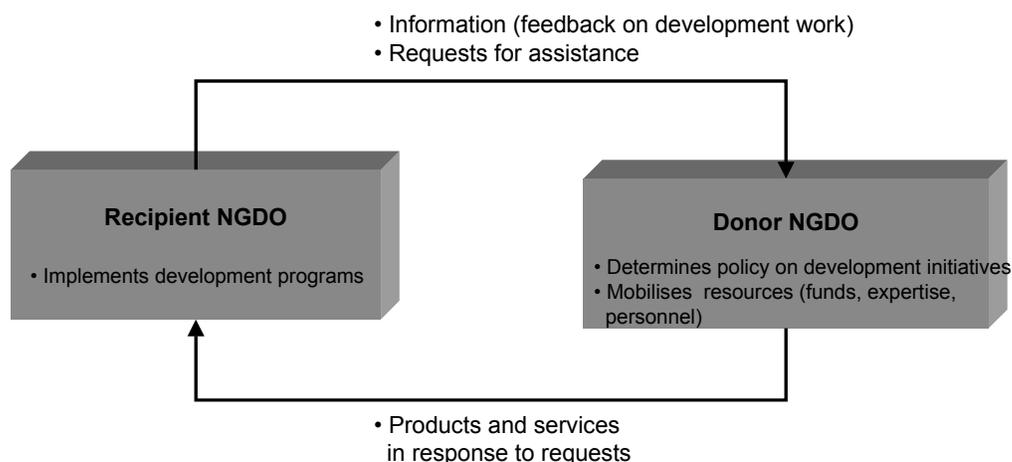


Figure 1.1. Donor-Recipient NGDO relationships

It is evident from Figure 1.1 that there exists a somewhat mutually dependent relationship. The functions of organisations at one end influence, and are to some extent dependent upon, the outcomes in the other.

1.2 Problem Statement

The existence and growth of NGDOs cited by Charlton and May (1995), Hulme and Edwards (1997), Salamon and Anheier (1998), Streeten (1997), Wallace (2000) and World Bank (2000), both in the developed and developing world has been attributed to a number of factors.

First was the disillusionment with the effectiveness of government agencies as engines of development (Brown 1992; Wallace 2000; Weisbrod 2000). Second has been the alleged level of NGDO successes in mobilising the energies and creativity of the poor to solve their own problems. According to Holloway (1998) NGDOs have received a lot of funding based on the assumption that they are the ones best able to deliver cost-effective services, engage stakeholders, promote participation and effectively represent the needs and interests of the poor. Hulme and Edwards (1997b) and Streeten (1997) also note that they are considered to be innovative, flexible and promote sustainable development. Much money has gone to not only existing NGDOs, but new ones as well, created to avail themselves of the financial boon.

With the growth and expansion has resulted the inevitable scrutiny of NGDOs that according to Moore and Stewart (2000) is a good thing because it implies that the sector is significant enough to raise suspicion and concern, but also to have some influence. And NGDOs have indeed raised suspicion, as questions arise regarding the effectiveness in service delivery they attest to. Questions

NGOs are referred to as NGDOs except in cases where they have been referred to as NGOs in citations.

abound as to whether they are accountable, and do indeed deliver services in a cost-effective and sustainable manner (Moore and Stewart 2000).

Do NGOs have what it takes to effectively engage in development work? To what extent have their evolving roles and increasing diversity sharpened or dulled their contribution to international development? As they grow in size and number and probably closer to the world's elite in government, business and finance, are they becoming more effective agents of change or simply pawns in a development game (May 1995; Ryan 1999; United Nations Research Institute for Social Development [UNRISD] 1999)? These and other questions are shaping debates about factors that may contribute to the current and future role and impact of NGOs in the international development arena.

To respond to the questions on effectiveness, aid agencies such as the Australian Agency for International Development (AusAID), Organisation for Economic Cooperation and Development (OECD), Overseas Development Institute (ODI) and the World Bank, have either conducted or contracted teams to conduct evaluation studies to determine the extent to which NGOs live up to expectations and their claims (AusAID 1998; Kruse, Kyllönen, Ojanperä, Riddell and Vielajus 1997; OECD 1992; ODI 1996; World Bank 1998).

NGOs have also been involved in conducting their own program evaluations, often as a prerequisite for receiving future funding (Ball & Dunn 1996). As noted earlier, donor NGOs are involved in resource transfer to recipient NGOs of developing countries where the program implementation takes place. It is thus conceivable that when they need to assess their effectiveness and role in international development, that they would employ instruments of monitoring and evaluation to the development programs that they fund in the recipient countries. This assessment would be twofold: it would evaluate the extent to which their programs have achieved the desired objectives, and evaluate the capacity and performance of the recipient organisations in program implementation (ODI 1996).

Inevitably, this kind of assessment relies on program and project-oriented systems of monitoring and evaluation, and also assesses the work of the recipient organisation as opposed to that of the donor one (Fowler 1997; OECD 1992; ODI 1996).

Monitoring is an ongoing process that aims at comparing actual activities against specifications. It is done for the purpose of management control and accountability and informs operational decision-making on internal management factors such as the costs and timing of inputs and outputs, level of effort and supervision of staff performance (Øvretveit 1997). In program evaluation, an assessment of the outputs, outcomes, impact and relevance of a development initiative and its associated organisational functions is carried out in order to decide how to act (Øvretveit 1997). This may include providing a framework for organisational learning and change so as to improve the services of the organisation (Fowler 1997), or to determine if a program should be stopped, refocussed, diversified, upgraded or modified (McDonald 1999; Scriven 1991).

One important factor to note is that the assessment of development initiatives does include organisational factors. The definition of development and its subsequent translation into practice constitutes a set of processes in organisations, not just tangible inputs and outputs. These sets of processes occur in all organisations involved – both in the developed and developing countries (Eade et al. 2000).

This dimension is important to note because there is a difference between assessing development initiatives and assessing the organisations “doing” development. Assessing the result of initiatives involves primarily the assessment of activities of recipient NGDOs and allows donor NGDOs to avoid critical scrutiny because monitoring and evaluation are applied to projects ‘out there’ in the field — as if all organisations in the aid chain are not part and parcel of what happens. In other words, evaluations seldom say anything about a funding organisation’s conditions, characteristics, policies or processes, which might have contributed to results (Fowler 1997:168).

As noted by Krystall, Young and Waithaka (1994, cited in Fowler 1997:168)

What is more, although funders may sometimes acknowledge the extent of their influence, they rarely accept responsibility for its consequences. By and large, donors take the stance of an employer or service contractor in that they control many of the conditions affecting outcomes. However, they typically assign responsibility for results to those whom they finance. They hold grantees accountable for successful delivery of outputs and outcomes specified in negotiated agreements without considering the determinative nature or impact of their own policies, objectives, requirements, timetables and capabilities on grantees' orientation, scope, capacity and operations [Emphasis in original].

This observation highlights a major limitation in assessing if NGDOs perform well. By keeping themselves out of the picture, funding organisations deny the existence of an important set of factors that determine the overall NGDOs' achievements and effectiveness.

As Fowler (1996a) explains, there are few areas of development work carried out by recipient NGDOs that are not, to some degree influenced by the quality of donor assistance, in this case donor NGDOs. As a matter of principle, good practice and fairness, the donor dimension needs to be included in any investigation and explanation of NGDO performance. Unless this occurs, learning about NGDOs and their development initiatives will always be inadequate (Australian Development Studies Network [ADSN] 1997; Ball & Dunn 1996; Fowler 1996a, 1996b, 1997; ODI 1996; OECD 1992).

The main issue therefore is that not much information exists about the organisational variables of funding organisations and how that impacts on the international development initiatives they fund. Assessing NGDO performance has centred much more on project evaluations (See Broughton & Jonathan 1997; Cassen 1994; Kershaw 1995; Lewis & Francis 1995; Madeley 1991;

Porter & Clark 1985; Riddell 1990; Riddell et al. 1995; Roche 1999; Smith 1998; Zivetz 1990), and not much on the funding organisation.

This may be because donor NGOs have been able to keep functioning regardless of the fact that little attention is paid to their organisational assessment, or because when the concept of evaluation has been applied to NGOs, it has often referred to the development initiatives they carry out (Fowler 1996b). The historically held assumption has been that if services or programs are delivered and have reached people, then they are effective (Navaratnam & Harris 1995). Crucial elements of processes, such as donor NGOs' policies, objectives, strategies and organisational capabilities while acknowledged are seldom assessed. Vanhaverbeke and Torremans (1999) note that although processes are central to the functioning of organisations, they have received little attention in management studies and practice because organisations are structured in a functional and product-oriented way. However, according to Ball and Dunn (1996), Jackson and Donovan (1999), Marsden, Oakley and Pratt (1994) and Navaratnam and Harris (1995), this situation is inadequate, unacceptable and unreliable. A deeper analysis is required and questions focusing on the processes of donor NGOs need to be asked and answered.

As already discussed, the project- and program-oriented systems of monitoring and evaluation have failed to adequately address these issues. Their focus on recipient organisations has resulted in a lopsided analysis of the contributions and impact of donor agencies in the development arena. As such, it is essential, even inevitable to shift focus to donor organisations. But what is it in the donor NGOs that now becomes the focus of assessment?

The answer, according to Ball and Dunn (1996), Eade (2000) and Wallace (2000) lies in shifting from project assessment to addressing organisational factors as well as external factors that affect donor organisations' contribution to international development.

1.3 Perspectives for Assessing Organisations

Bedeian and Zammuto (1991), Harrison and Shirom (1999) and Robbins and Barnwell (1998) provide some insights into organisational assessment. They define organisations as 'open systems' that are in constant interaction with their environment. As open systems, organisations transform inputs into outputs which are subsequently discharged into the external environment. The dynamic interaction of the organisation with its environment is crucial for its survival (Harrison & Shirom 1999).

The background presented of how NGDOs operate and interact with other organisations in developing countries (as represented in Figure 1.1) suggests that the 'open systems' model is a valid and valuable way of analysing NGDOs. According to Harrison and Shirom (1999:44-46), the following seven components and key features define an open system:

- (i) *Inputs (resources)*—raw materials, money, people (human resources), equipment, information, knowledge and legal authorisations that an organisation obtains from its environment and that contribute to the creation of its outputs.
- (ii) *Outputs*—products, services and ideas that are the outcomes of organisational action.
- (iii) *System processing*—the ways in which the organisation transforms inputs into outputs. The focus is on the processes that form the link between strategy and operational activities (Braganza & Lambert 2000:177). Process refers to the patterned, purposeful interactions that transform inputs into outputs, which are of value to the end-user. According to Nickols (1998:15), analysing an organisation from this component involves examining:
 - The transactions—that define the relationship between an organisation and its external environment, and the process involved in exchanging outputs for inputs; and,

- The transformations—that define the processes involved within the organisation of converting inputs into outputs.
- (iv) *Environment*—the close (task) environment includes all the external organisations and conditions that are directly related to the system's transformative processes and its technologies. These external organisations and forces encompass funding sources, suppliers, customers, clients, regulators, competitors, strategic partners, and markets. The macro (general) environment includes institutions and conditions having infrequent and long-term impacts on the organisation and its close environment. They include the economy, the legal and political systems, technology, and social and cultural setting within which an organisation operates. An organisational analysis from this component focuses on the organisation's ability to adapt to its environment, shape that environment, or find a favourable environment in which to operate (Daft 1997; Harrison & Shirom 1999; McKenna 1999; Thompson & Strickland 2001).
- (v) *Structure*—relations between individuals, groups and larger units—including role assignments, grouping of positions, departments, standard operating procedures, and coordination and control processes in the organisation. Organisational designs and structures ought to be a reflection of the complexity and dynamism of the environment in which the organisation operates (Mintzberg 1999).
- (vi) *Culture*—shared norms, values, beliefs and assumptions, as well as the behaviour and artefacts that express these orientations (Dawson 1996; Harrison & Shirom 1999; Lewis 1999).
- (vii) *System dynamics*—includes feedback of information and demands from within the organisation and outside it.

This analytical framework can help to develop a broad overview of the organisation and its challenges. It can be used as a strategy formulation tool by

examining the strengths and weaknesses of the organisation as well as the opportunities and threats posed by the environment, and the interaction among these four features. The framework can also be used to analyse the interactions among the levels of the organisation. By tracing relationships throughout the various levels of the organisation, problem areas can be identified in a way that facilitates holistic problem solving involving all the levels of the organisation, rather than just those that may seemingly be affected by the problem. This kind of analysis may also identify discontinuities between the levels of the organisation (Harrison & Shirom 1999:48-50).

The complexity of this analysis of the organisation, which has also been identified as a limitation of the open system framework, is its abstractness (Harrison & Shirom 1999:65). Whereas it may be true to argue that all the parts function together and depend on each other, it is a much more difficult thing to offer suggestions to managers of organisations on what precisely will change and to what degree, if a certain action is taken (Robbins & Barnwell 1998:14).

Another limitation is its extensive nature that could lead to a lot of data gathering that is hard to analyse and use (Harrison & Shirom 1998:51).

The current study is designed to limit its focus to system processing, and to gather and analyse data on the transactional and transformational components of the process. In the study the transactional component is limited to the relationship between the processes, the macro environment and the external stakeholders. The transformational component is limited to the relationship between processes, organisational strategy and structure through which an organisation converts inputs into outputs.

Processing has been selected because of its significance to development agencies, and contribution in responding to the issues raised previously. The processing component links with the environment for inputs and outputs, and also involves the operations that progress within the organisation to transform inputs into outputs. It is this link between process and the other components that makes it important to NGDOs and to the current study.

A diagrammatic representation of what is perceived to be the link between these components is presented in Figure 1.2 below.

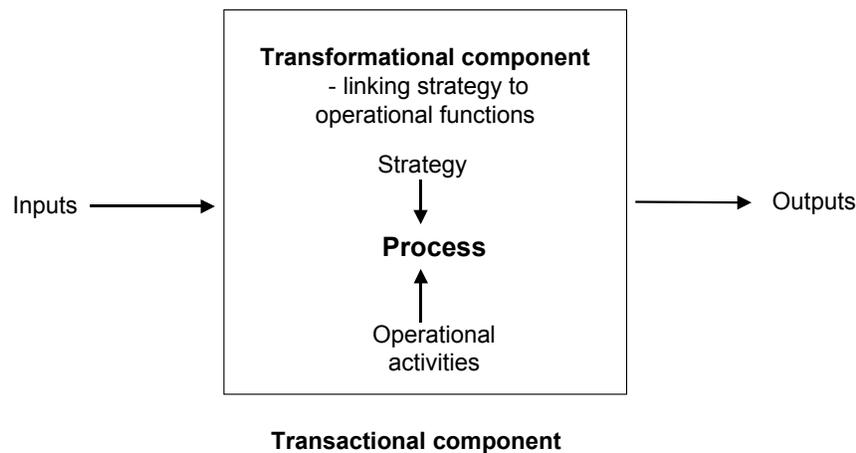


Figure 1.2. The transformational and transactional components of process

The process component is at the centre of other organisational components, and an analysis of the process incorporates an analysis of other components of an open system. By keeping the process as the focus of the study, other components can be examined in so far as they affect the process.

This multi-component view of organisations with a focus on process is significant for the current study and for NGDOs. This is because as explicated in the problem statement, a 'closer look' into the policies, strategies, operations, requirements and capabilities of donor NGDOs is important for a more comprehensive analysis of their contribution to international development. The transformational component of the process perspective taken in the current study provides an opportunity for such an analysis to be conducted. The transactional component facilitates an examination of the external factors that is equally important in explaining the outcomes of NGDO development initiatives.

Consequently, the problem definition and framework for assessing donor NGOs leads to a sixfold summary of the focus of the study:

- (i) Examining what NGOs aim to achieve in development initiatives – the goals of international development. These form a backdrop against which processes are defined and evaluated.
- (ii) Determining which processes are characteristic of NGOs in meeting their organisational goals (the transformational component).
- (iii) Determining how the relationship between organisational processes and external environment factors impact on development initiatives and outcomes (the transactional component).
- (iv) Determining and discussing key issues and implications for management by donor NGOs as they focus on their service delivery role in the future.
- (v) Developing a framework that could guide the implementation of good development practices in the processes that ensure the effectiveness of NGOs.
- (vi) Discussing general directions and areas for further research regarding the future of NGOs in international development.

1.4 Assumptions

The present study makes the following assumptions:

1. That NGOs have important processes aimed at adding value to stakeholders, by alleviating poverty and promoting sustainable development. The study seeks to determine and discuss what these processes are.
2. That relationships exist between organisational processes, the external environment, and internal environment of organisations – relationships that impact on the development initiatives of NGOs.
3. That although each NGO may have different emphasis on processing components through which development assistance is delivered, there are underlying principles that guide (or should guide) the processes. The study aims at determining and evaluating those principles.

1.5 Boundaries on the Scope of the Study

This section clarifies the boundaries of the study, clarifying what the study is and what it is not. First the study has covered only the non-governmental development organisations involved in development activities in developing countries. Those organisations whose work is concentrated only in Australia have not been studied. Second, the study has focused on only those organisations involved in long-term development assistance as opposed to short-term humanitarian relief and emergency assistance. Third, the study has been limited to the linkage between organisational processes and some components of the external and internal environments. The specific elements of the external environment are the macro environment and the external stakeholders. The specific elements of the internal environment are organisational strategy and structure. Other internal environment components such as board of directors and staff members while acknowledged are beyond the scope of this study.

1.6 Research Aims

The theme of the study is the significance of a process perspective in assessing and determining how NGDOs function and the outcomes they achieve. In order to guide the study, four aims have been identified. These are to:

1. Identify good development management practices and patterns of behaviour in the processes that determine the effective operation of NGDOs.
2. Fill a gap in the knowledge about the effective operations of NGDOs by specifically evaluating the factors that influence processes and the responses of NGDOs to these factors.

3. Enhance the relationship between NGOs and external stakeholders by adding to the stakeholders' understanding of the context of operation and the variables that influence the operations and outcomes of the initiatives of donor NGOs.
4. Develop a conceptual framework for the critical analysis of processes in a NGOs to guide the implementation of good development management practices.

1.7 Research Questions

The above aims are addressed in the following four research questions:

1. What is the relationship between NGO organisational processes and the achievement of their development goals?
2. What intervening effect do the internal and external factors have on processes and consequently on goal achievement?
3. What are key issues for NGOs processes in their context of operation, and what implications do these issues have on the management and functioning of NGOs in international development?
4. How may NGOs examine and evaluate their organisational processes in order to promote good development management practices?

The above questions were developed further into sub-questions to guide the data gathering exercise. The interview guide appears in Appendix II and the mail questionnaire in Appendix III.

1.8 Statement of significance

This study is an examination and evaluation of the organisational processes of nonprofit, non-governmental organisations working within the framework for international development cooperation – referred to as non-governmental development organisations (NGDOs). The results of this study will assist NGDOs to evaluate and improve their effectiveness by addressing the following five areas.

First, as noted in the problem statement, most studies on the assessment of donor NGDOs have focused more on project assessment than on the organisational factors contributing to outcomes. Donor NGDOs have often been assessed on the basis of projects implemented ‘out there’ in the field, and this kind of assessment has been inadequate to fully explain how donor NGDOs do their work owing to a lack of assessment of the contribution of organisational factors on outcomes. The current study addresses itself to this knowledge gap.

Second, the subject of NGDOs covers a wide range of organisations. As noted by Fowler (1997:xii) diversity is inevitable within the NGDO community. It stems from the contrasting values and goals of those who start and lead them, the different times and contexts in which they evolve, the many levels at which they operate, the varied scope of their activities, and the wide mix of resources they mobilise. However, this diversity presents problems in attempts to study, generalise and draw conclusions about NGDO functioning. As such, systematic analysis of the organisational functioning of NGDOs is in short supply. This study, while acknowledging that there is no fail-safe formula for “effective” performance of NGDOs, attempts to examine systematically how NGDOs have functioned and what they have been able to achieve as one way of identifying patterns of behaviour, general principles and practices which leaders and managers regularly use.

Third, the study is needed to address challenges facing the NGDO sector in Australia. Four challenges have been identified by AFCOA (1998, 1999, 2000d) AusAID (2000b) and the Industry Commission (1995a, 1995b) – (1) the need for good development management practices; (2) a stronger focus on professional

and ethical financial resource mobilisation leading to financial independence; (3) the delivery of high quality development assistance; and (4) a commitment to policy advocacy and development education. Part of good management is an evaluation of organisational capabilities. There is also a need for critical self-evaluation of the policies on which decisions are made about project activities (DAC 2000; Kruse et al. 1997; Simons et al 1997). There is need for the sector to promote its financial independence, while remaining ethical and professional in fundraising. This issue needs to be addressed in a systematic way to ensure NGDOs remain autonomous while drawing resources from various sources (ACFOA 2000a; Industry Commission 1995a; Simons et al. 1997).

The sector also needs to address the issue of delivering quality development assistance. In this regard, it is necessary for NGDOs to define and clarify what they perceive as key dimensions of quality in their programs, and come up with credible indicators to assess quality (ACFOA 2000d). Another aspect of quality is to ensure sustainability of project outcomes and benefits, which is only possible if there are practical strategies in place to promote sustainability and indicators to measure it (AusAID 2000a). The dimension of development education is especially important to increase the Australian public understanding of development, and to educate all stakeholders on the significance of their contributions (Wilson 1998). The study is necessary to determine ways in which NGDOs can approach these issues systematically and critically.

Fourth, the study is needed to respond to the messages and concerns from recipient NGDOs. As noted by Zivetz (1991), many recipient NGDO workshops devote considerable time to criticise policies and practices of their donor partners. Kajese (1987) in his experience with NGDOs in Eastern and Southern Africa noted that this kind of criticism and strained relations was as a result of the fact that the basic management and service delivery principles and processes of donor NGDOs were either wrong outright, not clearly understood or widely perceived as unjust by those they were supporting in developing countries.

The views expressed by Kajese (1987) and Zivetz (1991) are similar to the researcher's own experiences. There appears to be much disagreement and criticism between donor and recipient NGOs about what should constitute good development practice. Part of the reason for this is that to the recipients, little information exists about the context in which their funding partners operate. They hardly get an opportunity to ask pertinent questions regarding the whole development process, and do not understand some of the actions or decisions taken by their donors. While the donors ought to be accountable to their recipient partners for their actions, in practice this expectation is not always met. As a result, the relationship between the donors and recipients has been one of tension rather than cooperation. Values such as 'participation', 'partnership' and 'accountability', while appreciated, have not always translated into practice. The researcher has therefore aimed at gathering some valuable information to contribute to the debate of bridging this gap between theory and practice, and increasing the understanding between donor and recipient NGOs.

Fifth, there is a growing interest in a process-based view of organisations. Garvin (1998) notes the significance of a process perspective in addressing a common organisational problem – the lack of cross-functional integration that results in sub-optimal performance. Recent works by Braganza and Lambert (2000), De Bruin et al. (2000), Nickols (1998), Schmidt and Treichler (1998) and Vanhaverbeke and Torremans (1999) point to the need for more empirical studies to identify and analyse business processes and their implications for both strategy and outcomes. These studies seek to address the issue of improving the performance of organisations by evaluating and redesigning organisational processes.

However, most of this work has been based on corporate organisations. Kruse et al. (1997) point to the lack of data and analysis to support the contention that organisational attributes provide a context for NGO project successes, or at least account for the differences in performance. A focus on nonprofit organisations in this regard is therefore warranted, as it contributes to the knowledge base in this area.

1.9 Overview of the Research Project

This section outlines the contents of subsequent sections and chapters of the thesis. The thesis is set up in four sections and eleven chapters. Chapters Two, Three and Four of Section I provide an overview of the processes perspective and of NGOs. In Chapter Two the reader is introduced to the features of a process perspective. The chapter provides an overview of the components that make a process perspective a legitimate way to assess organisations.

Chapter Three provides an overview on non-governmental development organisations, defines development and explains the relevance of the process-based assessment to NGOs. Chapter Four focuses more specifically on the NGO sector in Australia. It provides a summary of Australia's development assistance program and demonstrates the relationship between the official development program (as delivered by AusAID) and Australian NGOs. Such an overview is helpful to the extent that it provides the reader with a context against which the research findings and discussions of the study may be interpreted.

Section II includes Chapters Five and Six and introduces the reader to the study in depth, by explaining how the study is set up. In Chapter Five, a theoretical and analytical framework is developed. The framework defines and operationalises the variables of the study. It forms the basis against which the findings are presented and analysed. In Chapter Six the methodology for conducting the study is presented. It describes the research design and methods used in data collection. It also outlines how the variables are measured and data analysed. Important aspects of research quality such as validity, reliability and objectivity are also addressed.

In Section III that includes Chapters Seven, Eight and Nine, the findings of the study are presented. Chapter Seven attempts to respond to the first research question by demonstrating the relationship between the processes of NGOs and the achievement of development goals. Chapters Eight and Nine respond to the second research question, describing and analysing the intervening effect

of the organisational and external environment factors on NGDO processes and consequently goal achievement.

The study concludes with Section IV that includes Chapters Ten and Eleven, by responding to the third and fourth research questions. Chapter Ten discusses the findings of the study, relates them to previous studies and identifies key outcomes that illustrate the significance of the study to NGDOs. The chapter also revisits the process-based model used in the study to determine its adequacy in understanding the complexities of the work of NGDOs. In Chapter Eleven the researcher draws general conclusions from the study, by developing two models for examining and evaluating NGDOs processes that may guide agencies in the implementation of good development management practices, to improve their performance and outcomes. The chapter concludes by identifying some areas for further research.

CHAPTER TWO

FEATURES OF A PROCESS-BASED ASSESSMENT

2.1 Introduction

The research theme of the study is on the significance of a process-based perspective to examine and evaluate the achievements of donor non-governmental development organisations (NGDOs). The contention is that a process-based view is useful for identifying good development management practices, by developing an understanding and appreciation of the contribution of organisational components of donor NGDOs to the outcomes of development initiatives.

This chapter develops the concepts involved in using a process perspective. It starts by defining the term 'organisational processes', followed by a rationale of the significance of a process-based analysis of organisations. It then reviews some of the difficulties, inadequacies and dilemmas that accompany the process approach, and reviews how the current study intends to address them. This is followed by a review of previous studies to examine the significance of the internal and external environment factors on organisational processes.

2.2 A Process-Based Analysis of Organisations

The design of the structures in many modern organisations is hierarchical and functional. They suffer from isolated departments, poor coordination, and limited lateral communication. All too often work is fragmented and compartmentalised, and managers find it difficult to get things done (Garvin 1998:33). Processes provide a likely solution to such difficulties because they are an important mechanism in creating organisational coordination (Denison, Hart & Khan 1996; Garvin 1995, 1998; Ghoshal & Bartlett 1995).

2.2.1 *Defining Organisational Processes*

In the broadest sense, processes can be defined as a collection of tasks and activities that together – and only together – transform inputs into outputs (Garvin 1998:33).

Garvin (1998:35) identifies three major approaches to organisational processes. These are (1) *work processes* focusing on sequences of activities that transform inputs into outputs; (2) *behavioural processes* focusing on ingrained patterns of behaviour and ways of interacting; and (3) *change processes* focusing on sequences of events over long periods of time. These represent separate but related schools of thought and explore distinct characteristics and challenges of processes. For purposes of the current study, however, the term processes has been used to refer to the first category – work processes – as the study focuses on the accomplishment of tasks that transform inputs into outputs.

Garvin (1998:35) makes a useful distinction between two kinds of work processes: (1) *operational* processes that create, produce and deliver products and services that customers want, and (2) *administrative* processes that do not produce outputs for customers, but that are still necessary for the running of an organisation. Operational processes may include the development of new products and services, and service delivery to customers, while administrative processes may include strategic planning, budgeting and performance measurements. While the operational processes produce goods and services for the external customer, the administrative processes generate information and plans for internal groups. However, the aligning and coordination of these two processes is vital if the organisation is to function effectively (Crowston 1997:159).

Most literature on processes defines them from the work processes perspective with an emphasis on operational processes (Adler & Mandelbaum 1996; Braganza & Lambert 2000; Crabtree, Rouncefield & Tolmie 2001; Davenport 1993; Hammer & Champy 2001; Kirchmer 1999; Nickols 1998; Vanhaverbeke & Torremans 1999).

Davenport (1993:5), for example, defines process as:

A structured, measured set of activities designed to produce a specified output for a particular customer or market. It implies a strong emphasis on *how* work is done within an organisation, in contrast to a product focus emphasis on *what* is done [Emphasis in original]. It is a specific ordering of work activities across time and place, with a beginning, an end, and clearly identified inputs and outputs: a structure for action.

In their definitions, Hammer and Champy (2001:38), Nickols (1998:16) and Vanhaverbeke and Torremans (1999:42) also use the term 'process' to refer to the patterned, purposeful activities through which organisations transform one or more kinds of inputs into outputs, which are of value to the end-user. As demonstrated in Figure 1.2 (Chapter One), Nickols (1998:15) views process as consisting of two components:

- The *transactions*—that define the relationship *between* an organisation and its external environment, and the process involved in exchanging outputs for inputs; and
- The *transformations*—that define the processes involved *within* the organisation of converting inputs into outputs [Emphasis added].

Braganza and Lambert (2000:177) and Laudon and Laudon (2000:78) define process as the linking of strategy to operational activities. This is achieved by linking together the functions of organisational units, guided by a set of objectives and strategies, to ensure that the overriding task is completely and successfully carried out. They identify three characteristics of processes.

- Processes aim at *adding value to stakeholders* – In other words, activities constitute a process when linked explicitly to the expectations of internal and external stakeholders.
- Processes *coordinate* those activities that organisations should undertake to address stakeholder expectations.

- Processes *cross functional boundaries*. That means that departmental or functional operations form part of a process as well as being processes in their own right [Emphasis added].

The definitions presented draw a number of dimensions in identifying, analysing and determining organisational processes:

- Processes involve obtaining from the *external environment* the necessary inputs so as to sustain the functioning of the organisation (Nickols 1998:15);
- Processes focus on *stakeholder satisfaction* – they aim to create an output that is of value to the end-user. This is a major driving force behind the process approach. Stakeholders represent significant justification for developing a process-based view of organisations (Braganza & Lambert 2000; Davenport 1993; Garvin 1998; Hammer & Champy 2001; Nickols 1998; Vanhaverbeke & Torremans 1999);
- Processes involve the conversion of inputs into outputs, tied to *strategic* intent and actions (Braganza & Lambert 2000; Davenport 1993; Garvin 1995; Edwards & Peppard 1997; Schmidt & Treichler 1998); and
- Processes involve *cross-functional* linkages that cut horizontally through the *organisational structure* (Braganza & Lambert 2000; Davenport 1993; Garvin 1998; Hudson 1999; Kirchmer 1999).

As such, the process perspective is becoming popular owing to its focus on meeting the expectations of stakeholders and improving the performance of organisations, through its link to organisational strategy, and an emphasis on cross-functional integration.

The four dimensions of processes discussed above form the basis against which further discussions are presented in this chapter and the theoretical framework developed in Chapter Five. Before exploring these dimensions further, the next section reviews the limitations of the process perspective.

2.2.2 Challenges of the Process based perspective

Despite the benefits associated with a process perspective, organisations pursuing it appear to have made only partial or marginal success, and in some cases failure (Crowston 1997; Cook 1996; Davenport 1993; De Cook & Hipkin 1997; Edwards C. et al. 2000; Garvin 1998; Ghoshal & Bartlett 1995; Hall & Rosenthal 1993; Nickols 1998). The problems have been traced to a number of sources. One is in the difficulty of identifying the processes (Davenport 1993; Fowler 1997; Nickols 1998; Rummler & Brache 1995), and a second is the way of managing and redesigning processes (Crabtree et al. 2001; Cook 1996; De Cook & Hipkin 1997; Edwards C. et al. 2000; Garvin 1995, 1998; Ghoshal & Bartlett 1995). These two problems are discussed below.

2.2.2.1 The Difficulty of Identifying Processes

Retracing the arguments back to the problem statement is the premise that the determination of organisational processes forms a crucial component in assessing the achievement of organisational goals. Yet, previous studies point to the fact that organisational processes represent a difficult challenge in identification and analysis because they are often unknown quantities, have no names, are not represented in organisational charts, and examples are often disputed (Nickols 1998:16). The exercise of identifying processes is not always a straightforward one and is often difficult to define or apply (Fowler 1997:166).

Rummler and Brache (1995:8) note that processes are cross-functional, spanning the “white space” between the boxes on the organisational chart. Processes often tend to fall into the ‘cracks’ between functions. Rummler and Brache propose that the only way to truly understand the way work gets done is to view an organisation horizontally (as a system), rather than vertically (as a hierarchy of functions). When an organisation is viewed horizontally, business processes can be seen and understood. But as the horizontal view of the organisation has not been given much attention, processes have remained obscure and poorly understood (p.63).

Processes are also difficult to identify because their boundaries are often not defined. Processes are *selected portions of larger streams of activity*. Process boundaries must be *set* or established in this larger context, before they can adequately be identified [Emphasis in original] (Nickols 1998:18). As boundaries are arbitrary, managers are faced with the task of defining boundaries, and often these definitions will be contested, resulting in discrepancies and internal conflicts (Davenport 1993; Kumar & Nti 1998).

Process identification and analysis is also based on the assumption that the organisation has:

- A well-articulated strategy. Processes have strategic relevance. They are the way through which strategy is implemented. If the strategy is flawed, process identification is likely to be flawed too, if not impossible (Davenport 1993:31-34);
- Clearly defined end-users. Processes are a set of related activities that produce a result of value to an end-user (Braganza & Lambert 2000:179; Garvin 1998:33; Nickols 1998:16; Vanhaverbeke & Torremans 1999:42);
- An existing and/or potential resource base (Nickols 1998:15).

The implication is that if an organisation lacks these components, it is not likely to succeed in determining and managing its processes. Organisations therefore need to have these three basics – a strategy, stakeholders and a resource base, which can then become the starting points for process determination and analysis.

From a strategy viewpoint Crowston (1997:158) suggests that the dilemma of identifying processes can be addressed by examining a wide range of organisations in the same sector/sub-sector. The efficacy of this approach is based on the premise that organisations belonging to the same sector will perform similar basic activities, as defined by the sector to which they belong and their overall strategies. While the general activities may be the same, the processes differ in important details. Identifying activities provides the starting point in identifying processes, while the different strategies and systems of

coordination in organisations account for the different details within processes. Such diversity can help to build theory on the coordination of organisational processes.

Taking the stakeholder satisfaction approach, processes may be mapped out by identifying existing or potential outputs targeted at stakeholders and then working backward from there to identify the processes or activities that yielded those outputs (Nickols 1998:16).

From a resources perspective, processes could be identified by listing all the resources involved in the various process steps, and then considering the dependencies that exist between them. It could be that one step has to be completed before the next can begin, or that two steps share the same resources, or that the outputs in one step are the resources for another (Crowston 1997:167). In recurring situational detail such descriptions demonstrate how work activities are structured and how particular work processes emerge from the accomplishment of work activities (Crabtree et al. 2001:171).

In process identification, organisations should bear in mind that there are both operational and managerial/administrative processes. Both of these ought to be identified, as the administrative processes support the operational ones and an inadequacy in an administrative process has a possible effect on the operational one (Garvin 1998:35).

The three approaches to process identification – sector/strategy approach, stakeholder approach and resources approach, could be used simultaneously to validate the findings of each approach and ensure a comprehensive identification of processes. The current study takes into consideration these three perspectives when identifying processes found within aid agencies and in accounting for the variations between them.

2.2.2.2 Challenges in Managing the Process Approach

A focus on organisational processes has been criticised as being prescriptive, simplistic, mechanistic and formulaic (De Cook & Hipkin 1997; Edwards C. et al. 2000) because it fails to acknowledge the existence of multiple factors that influence process determination and outcomes.

For example, the process perspective has been criticised for its failure to reflect on the fact that while managers may express frustration with current inefficient, rigid, and ambiguous systems in their organisations, and may thus be open to a different perspective, such ambiguities and inefficiencies have their appeal. Under uncertain conditions, the negative consequences of their actions, as well as the causes are difficult to detect and evaluate, thus providing managers with a sense of psychological security (De Cook & Hipkin 1997:666). It can therefore not be assumed that a process perspective will always be welcomed or supported by organisational managers.

Approaches have also failed to appreciate the significance of a shared understanding at senior management levels regarding an appropriate mode of operation and the outcomes that are expected from a process. Unless managers develop consensus on organisational context, an appropriate approach to address organisational needs and strategic interventions, process oriented initiatives are less likely to secure benefits (Edwards C. et al. 2000:30; Hammer & Stanton 1999:110; Rummler & Brache 1985:7).

The process perspective has also been criticised for its apparent de-manning of the organisation (De Cook & Hipkin 1997:669; Hammer & Stanton 1999:108). This has been traced to the need for new styles of management and the rooting out of those who lack such skills (Garvin 1995). Cook (1996:35), Hammer and Stanton (1999:114) and Ghoshal and Bartlett (1995:95) note that traditional styles of management of command, control, resource allocation and assigning responsibilities have no place in a process organisation. The new managerial skills that have been identified as characteristic of the process perspective include the ability to coach, collaborate, communicate, motivate, negotiate and

work as a team player. Changes in decision-making also need to be made so as to involve more levels of the organisational hierarchy (Garvin 1995:84).

The trend towards de-manning has also been linked to the need to respond to stakeholder expectations. The pressure by stakeholders on organisations to reduce costs and maximise profits, coupled with the need by organisations to maintain stakeholder support has been perceived as an important driving force behind supporting process initiatives (De Cook and Hipkin 1997:662). The result has been a trend towards downsizing, reorganising work teams and a move towards increased use of information technology (Crabtree et al. 2001:171; Rummler & Brache 1995:124). This focus on downsizing and profit maximisation may be why some organisations have had failure with the process perspective, as no genuine attempts have been made at process analysis (De Cook & Hipkin 1997; Hammer & Stanton 1999).

Garvin (1998:35) points to another limitation of the process perspective as its almost exclusive emphasis on operational processes, neglecting the ongoing managerial coordination, oversight and control of the reconfigured processes. Operational processes have often been targeted for improvement, while the supporting managerial processes have been overlooked, resulting in incompatibilities and inconsistencies (Garvin 1998:35). Unless, management processes are redesigned too, not much can be gained from the improvement programs. A broader focus in process redesign is therefore essential (Garvin 1998; *Harvard Business Review* 1995; Hall & Rosenthal 1993).

This narrow view of processes is also identified by Crabtree et al. (2001:164) who point out that process thinking tends to focus on organisational processes alone, often failing to appreciate the significance of the situated work practices whereby the processes are produced. The drawing up of process maps is often based on the perception that there is a definitive way to engage in a particular activity. Such a perception quickly becomes obsolete as organisations realise that the formulation of best practices relies on *ad hoc* considerations of situated actions and work practices that nowhere figure in a well-designed process map. This argument brings to light the fact that numerous *contingent* considerations

such as costs, increases in workload, or the number of managers who concur with a particular process, exist in arriving at a process.

Managers therefore need to enter into negotiations and compromises in defining processes in their organisation, based on their existing and tried work practices (p.166-167).

This view is also expressed by Grint (1994) who observes that process determination and evaluation needs to take a holistic view. The fact that a process does not work well, for example, may be due to micro-political conflicts within the organisation, or changes in the marketplace rather than any inadequacies in the process itself. Thus, any evaluation and possible process redesign must take into consideration all relevant major conditions inside and outside the organisation that impact on process outcomes and performance.

Schmidt and Treichler (1998:59) reinforce this view by arguing that a process orientation requires more rationale and planning than currently exists. The approach has often been indiscriminate and superficial. Seldom has an attempt been made at critical conceptualisation (Hall & Rosenthal 1993:122). In an era of a volatile and rapidly changing environment, 'non-strategic' improvement programs could generate a much improved process that is no longer relevant to the environment (*Harvard Business Review* 1995:80). This points to the need to evaluate the changes in the environment so as to identify and plan rationally and realistically whether to redesign existing processes or develop new ones that are relevant to the organisation and its environment (Edwards C. et al 2000:30).

These criticisms of the process perspective are valid because they identify the failure of previous studies to take a multi-dimensional view of processes. They note that previous studies fail to take into account factors such as:

- The internal strategic and management capabilities and decisions in organisation (De Cook & Hipkin 1997; Garvin 1995; Hammer & Stanton 1999; Rummler & Brache 1995);

- The existence of external factors that influence process determination and outcomes (Crabtree et al 2001; Crowston 1997; Grint 1994; Harvard Business Review 1995);
- A critical view of the role of stakeholders in determining process initiatives and outcomes (De Cook & Hipkin 1997);
- A holistic approach towards process initiatives – one that involves elaborate planning and critical conceptualisation (De Cook & Hipkin 1997; Hall & Rosenthal 1993; Schmidt & Treichler 1998).

The conceptualisation of the process perspective brings to light two important issues. One is that organisational processes involve more than simplistic mechanistic steps in doing things – there is strategic planning, managerial coordination, resourcing and the need for consensus on initiatives (Crabtree et al. 2001; Crowston 1997; De Cook & Hipkin 1997; Edwards C. et. al. 2000; Garvin 1995, 1998; Forssén 2001; Ghoshal & Bartlett 1995; Hall & Rosenthal 1993; Hammer & Stanton 1999). Two, that an internal perspective, that is, only looking at processes without linking them to the external organisational context that they intend to respond to, is an inadequate analysis of determining how processes are realising intended outcomes or need to be changed (Crowston 1997; Clemons 1995; Grint 1994; *Harvard Business Review* 1995; Edwards C. et al. 2000).

What is required is a conceptual framework that integrates these components – organisational processes, the internal organisation context and the external environment, assesses how processes are determined, and evaluates how process outcomes are influenced by these contexts.

These two broad aspects of organisations – the internal and external contexts, form the framework for the next section. The section seeks to identify and discuss the external environmental context of organisations, and the internal organisational factors that influence processes, in order to gain insights into how, where and why mismatches occur between intentions and outcomes, as a first step towards identifying courses of change.

2.3 Factors Affecting Organisational Processes

Within an organisational framework, one can formulate a variety of hypotheses concerning the effects of changing contextual conditions on organisational processes. For example, “As condition X changes, Y new patterns or classes of action are predicted (Pentland 1995:553).” This view of organisational processes as being linked to external and internal contextual factors is useful to the extent that it offers structural alternatives for managing organisational operations (Ciborra 1996).

In the current study, the external environment is limited to the macro environment and external stakeholders, while the internal environment is limited to the organisational factors – the strategy, and coordination of tasks through which process outcomes are realised (the structure).

In thinking about the interaction between organisational (internal) and contextual (external) environments of an organisation, however, Pondy and Mitroff (1979, cited in Weick 1995:30) note that in organisational life, people often produce part of the environment they face. Managers construct reality through authoritative acts. When they enact laws, they take undefined space, time and action and draw lines, establish categories and coin labels that create new features of the environment that did not exist before. These new environments then constrain their actions (Weick 1995:30-31).

The argument therefore is that the external environment is not some kind of monolithic, singular, fixed environment that exists detached from and external to the organisation. Instead, people (and organisations) are very much a part of their own environments. They act, and in doing so create the materials that become the constraints and opportunities they face (Weick 1995:31). This argument on the interconnection and interdependence between the organisation and its environment further strengthens the case for taking into account external factors and their effect on organisational processes and outcomes.

2.3.1 *The External Environment*

The 'environment' refers to the context in which the organisation operates. There are macro environment factors and task environment factors that have an effect on processes. The macro environment factors represent the broad conditions and trends in which organisations operate. They include the political-legal climate, the economic conditions, technology, socio-cultural climate and the international context. The task environment factors are the specific outside elements with which an organisation interfaces in doing its work (Bartol et al. 2001; Bedeian 1993; Daft 1997; McKenna 1999). Specific to the NGDO sector, the task environment includes target beneficiaries, partner agencies in overseas countries, other NGDOs, existing and potential donors and government agencies (Bryson 1999:5).

Bartol et al. (2001:66) represent this organisation-environment relationship as shown in Figure 2.1 below.



Source: Adapted from Bartol et al. (2001:66)

Figure 2.1. The organisation-environment relationship

2.3.1.1 *The Macro environment–Process Relationship*

The macro environment factors reflect major trends and conditions outside the organisation and tend to be beyond a single organisation's ability to affect or alter directly, at least in the short term (Bartol et al. 2001:65). However, such trends affect the functioning of organisations and therefore need to be considered, although their impact may not necessarily be very clear (Robbins & Barnwell 1998:190).

The political-legal climate refers to legal and governmental systems within which an organisation functions. Trends in legislation, court decisions, politics and government regulation are important political-legal environment aspects. Political processes also influence the legal system. Political issues may result in government regulation on various areas (Bartol et al. 2001:67).

The economic climate involves systems of wealth production, distribution and consumption – these could be capitalist or socialist economic systems. Countries generally have hybrid economies with an emphasis on either one. Thus, for organisations operating in a variety of countries, they face a range of economic ground rules. Within any economic system however, organisations are influenced by economic factors over which they have little control, such as inflation and recessions (Bartol et al. 2001:66). Not-for-profit organisations for example, find a greater demand for their services during economic decline but receive fewer contributions. They must adapt to these changes in economic conditions (Daft 1997:78).

The sociocultural climate represents the attitudes, values, norms, beliefs, behaviours and associated demographic characteristics of the population within which the organisation operates (Bartol et al. 2001:68; Daft 1997:78). Multinational organisations are particularly faced with the problem of sociocultural differences between countries. They need to be aware of these differences as well as changing trends in order to remain effective in delivering their services and products (Bartol et al. 2001:68).

At another level Bedeian (1993:73) views the social environment of an organisation as the societal views regarding an organisation's behaviour – that is, whether the organisation is pursuing socially acceptable goals in a socially acceptable manner. In order for an organisation to survive, the society has to perceive it as legitimate and worthy of support. This facilitates the organisation's ability to acquire resources and deflects questions about its right to provide, competency in providing, and effects of its goods and services on the social structure of the community.

The technological climate includes scientific and technological advancements in the production of goods and services (Daft 1997:77). Technology is of particular importance because it has been and continues to be the main source of increases in productivity, which means it can either provide a competitive advantage to organisations that can use it effectively, or pose a threat to those that lack it (Bedeian 1993:74). To remain competitive therefore, organisations need to understand current technology developments affecting their ability to offer desirable products and services (Bartol et al. 2001:65).

The international element includes changes in countries other than the organisation's home country with potential to influence the organisation, as well as the opportunities presented by these foreign countries (Bartol et al. 2001:68; Daft 1997:76). The international environment provides new competitors, customers and suppliers, as well as shapes social, technological and economic trends. It also represents an ever-changing and uneven playing field compared to the domestic environment, pushing organisational managers to learn new rules to cope with goods, services and ideas circulating around the globe (Daft 1997:77).

The difficulty in interpreting and responding to the macro environment is that first, organisations are influenced by multiple ideologies represented by the different environmental factors (McKenna 1999:98). Non-governmental organisations while having altruistic (social) values, for example, may find that other ideologies, especially the economic and political inevitably influence their behaviour, because of their interactions (and interdependence) with these

ideologies. Managing an organisation therefore requires not just an understanding of the dominant ideology relating to that organisation, but of others as well (McKenna 1999).

Second, the effect of the macro environment on the organisation is considered remote and sometimes not clearly understood. However, it is a very real one. Organisations that have traditionally focused on the domestic environment need to develop a broader view, if not in their production and delivery of goods and services, at least in their thinking and planning (Turner & Hulme 1997).

2.3.1.2 *The Task environment-Process Relationship*

As described earlier, the task environment includes those sectors that have a *direct* working relationship with an organisation. As shown in Figure 2.1, the task environment is important to any organisation for two reasons:

- The results of an organisation are always to the task environment – the end-users of a product or service are ‘out there’. For an organisation to survive, it must meet the needs and expectations of these groups, and do so competitively (Hammer & Champy 2001:21; Nickols 1998:18).
- The resource base for the organisation is also ‘out there’ in this environment. Resources are gathered from the environment, and results are sent back to the environment. Nickols (1998:15) refers to this environment-organisation interdependence as a *transactional* relationship.

Such a view of the task environment as a component of organisation processes is of great strategic importance as it helps organisations to position themselves well to respond to changing contexts, through identification of drivers for change. In other words, it is important to articulate the wider organisational contexts of which critical processes are a part, and then adopt a holistic approach to process design (Edwards, C. et al. 2000:30; Short & Venkatraman 1992:19).

According to Bedeian and Zammuto (1991), Daft (1995) and McKenna (1999), the environment influences an organisation's survival by the degree to which the organisation is successfully able to:

- Acquire scarce and valuable resources from its environment, transform them and discharge outputs to the environment;
- Perceive and correctly interpret the properties of the environment;
- Respond to changes in the environment either by adjusting the organisation's capacities to suit those changes or manipulating the environment to meet organisational objectives. To these two responses McKenna (1999:95-96) adds a third response – shifting the domain away from threatening elements and towards a more favourable location.

Starbuck (1976, cited in Weick 1995:163) also observes that organisations play an active role in manipulating and shaping their environments by (1) seeking environments that are sparsely inhabited by competitors; (2) defining their products and outputs in ways that emphasise distinctions between themselves and their competitors; and (3) relying on their own experience to infer environmental possibilities.

However, as noted by Braganza and Lambert (2000:177), the fact that managers need to create organisations that can react quickly to environment changes or even manipulate their environment is not a new challenge. However, what is new is that changes in the future may be in directions that are hardly conceivable today. Changes brought about by globalisation strategies, knowledge management and information and communications technology, have created a situation in which traditional governance mechanisms that are intended to integrate the variety and range of organisational activities are insufficient (Prahalad & Oosterveld 1999:32).

Managers therefore have the task of creating a new framework for adapting to external pressures while, at the same time ensuring the organisation retains a sense of integrity at strategic and operational levels. This new framework involves governance at the level of business processes as this enables

organisations to be managed in ways that enable changes, identified either for strategic purposes or in response to an environmental shift, to be effected quickly and appropriately (Braganza & Lambert 2000:177-178).

Hammer and Champy (2001:20) in their analysis of the environmental factors affecting organisations note that in today's environment, nothing is constant or predictable—not market growth, end-user demand, product life cycles, the rate of technological change or the nature of competition. Three forces, separately and in combination, are driving today's organisations deeper and deeper into a territory that most of their executives and managers find frighteningly unfamiliar—Customers, Competition and Change. They assert that a task-oriented organisation of jobs in this new environment is obsolete. Task-orientation produces organisations that are unresponsive to the current large changes in the external environment. Organisations must organise work around *process*.

Dunham and Pierce (1989) in their studies on management systems of organisations concluded that to be successful, an organisation must obtain the best possible fit between the environment and its management system—its strategy, structure and processes.

The main challenge presented by the environment-process link, however, is the interpretation and operationalisation of environmental changes into viable responses. Different organisations will be affected differently by the same environment, and thereby respond differently (Daft 1995; McKenna 1999; Noda & Bower 1996). They will also have different levels of resources that they can adequately channel towards redesigning their processes. Questions of feasibility and impact of redesigning process, on both the organisation and its environment will ultimately determine an organisation's response (Davenport 1993:31).

In spite of the challenges, an appropriate response to the environment represents a significant part of an organisation's survival and success. Organisations need to increase their attention to developing viable processes

that can improve their chances of adapting to changing situations (Brinckerhoff 1998; Fernsler 1999; Villacorta 1997).

With reference to nonprofits, Venden-Berk (1999:38) urges them to be opportunist organisations, that is, organisations that have the fundamentals so solidly in place that they can respond almost instantly and effectively to challenges and opportunities in their environment. Turner and Hulme (1997:24) suggest that, managers at all levels of nonprofit organisations, who have a good appreciation of the environment and express that in their decisions and actions, have a far greater chance of success than those who choose to underestimate or ignore the significance of the environment.

2.3.1.3 *The Stakeholder-Process Relationship*

Another way to view the task environment is to view it as the group of external stakeholders important for an organisation. As shown in Figure 2.1, the task environment for NGDOs consists of these stakeholders (donors, target beneficiaries, partner agencies, government and other NGDOs). Their significance in the process-based perspective requires that they be given special attention.

Bryson (1999:5) defines a stakeholder as ‘any person, group or organisation that can place a claim on an organisation’s attention, resources or output, or is affected by that output.’ Thus, while the task environment may be viewed as supplying resources to the organisation, the stakeholders are individuals or institutions who have an interest, and who affect and/or are affected by the outputs of that organisation.

Processes aim at adding value to stakeholders of an organisation. Processes represent the linking and coordination of those activities that organisations should undertake to address stakeholder expectations. In other words, activities constitute a process when linked explicitly to stakeholder expectations (Braganza & Lambert 2000:179; Cook 1996:2; Nickols 1998:16).

Processes are thus derived from stakeholder expectations. This means that when an expectation of a stakeholder changes, the process that meets that expectation needs to adapt accordingly (Braganza & Lambert 2000:182). A key function of stakeholders is therefore to provide information for the organisation's processes. Information should be gathered from the most important stakeholder—the existing and potential end-users of an organisation's outputs. In fact taking a process approach implies adopting an end-user's point of view (Davenport 1993; Hammer & Champy 2001).

In the illustration below, Fowler (1997) suggests that in order for organisations to get their processes right, they need to focus on the impact they want to make on the end-users.

Box 2.1

NGDOs – What do we need to be doing to get to where we want to be?

A training non-governmental development organisation (NGDO) was established to improve the efficiency of other organisations through knowledge and skill-based training courses. In a short time, it established a reputation for bringing substantial improvements, and took pride in the fact that it always completed its yearly plan of activities. In addition, more and more costs were being covered through the fees charged. Boards, clients and donors were all positive about its work and viewed it as an example of an efficient, productive organisation.

It was therefore very surprising to hear the head of training ask, "Why do we train organisations to be more efficient? What difference do we want to make? What are we trying to achieve?" It was evident that it was not enough that the organisation was meeting its strategic goals and yearly plans, but rather that it made a difference in the community being served. This was because training was only a single and a short-term means of achieving a greater goal. Ultimately, the aim was to improve the management and service delivery functions of their trainees, so that they in turn could

effectively make a difference in the lives of the communities that they were serving. If the training NGDO was not conscious of this ultimate goal, its training activities would either become obsolete, or simply inadequate to address the needs to their trainees, making the success of the NGDO very short-lived indeed.

In other words, the training NGDO could only adequately assess its effectiveness by assessing the value of its training on a broader political, economic and social position of the local communities. This implies that organisations should not be assessing their performance on how well they function within their strategic plans, but on their ability to satisfy end-user needs and expectations, both in the short and long term. Instead of setting targets for the number of training courses to be run, for example, there is need for deeper interaction with different categories of target groups to determine the long-term effects of an organisation's work.

The issues they need to be addressing are:

- What ultimate difference they want to make;
- What activities will contribute to making that difference; and most importantly,
- How they need to carry out the activities so as to contribute to making that difference.

(Source: Adapted from Fowler 1997:178-179)

The stakeholder-process link presents obvious problems for process definition and design. Any and all aspects of processes would be viewed in terms of self-interest by each of the stakeholders. They have different expectations and views on priorities, which suggests there would probably be a conflict in demands as to how processes ought to be defined and designed (Hudson 1999:49). And as process boundaries can be set anywhere the organisation chooses (Nickols 1998:18), the result might be that the organisation has to prioritise and choose processes that benefit the most influential stakeholder(s).

Inevitably, the organisation is likely to benefit some stakeholders more than others, giving rise to the satisfaction of some and the dissatisfaction of others (Bedeian & Zammuto 1991:69; Fowler 1997:174). Decisions over prioritising of stakeholders, or which processes to give most emphasis to, often manifest themselves in unhealthy internal organisational conflicts over allocation of resources (Braganza & Lambert 2000:181).

Prioritisation of stakeholder expectations is therefore a challenging task because it results in the dissatisfaction of some stakeholders, and also internal organisational conflicts. The alternative is to attempt to satisfy the expectations of all stakeholders. The likely outcome of such an approach would be that scarce resources would be over-stretched, resulting in all stakeholders being poorly satisfied (Braganza & Lambert 2000).

In spite of the complexity in stakeholder satisfaction, Daft (1995) argues that the management and survival of an organisation is a complex, multi-dimensional concept. Research studies have shown that an assessment of the satisfaction of multiple stakeholders groups is an accurate reflection that the organisation is engaging in effective processes (Tsui 1990).

Organisations do care about their reputation, and do attempt to share in stakeholders' view of what the organisation should be doing and how. If an organisation is not meeting the expectations of several interest groups, it probably should not exist at all (Fombrun & Shanley 1990).

Hudson (1999:171-172) and Fowler (1997:172-174) note that for nonprofit organisations, stakeholder satisfaction is at the top of their list of priorities because they determine the organisation's financial bottom-line. For various stakeholders to continue supporting an organisation, they need to have sufficient reason to do so. In an environment of a set of complex political, economic and legal considerations, an organisation hoping to survive must take into account all stakeholders who either affect, or are affected by the organisation's strategies (Perrott 1999:225). Perrott (1999:225-228) and Hudson (1999:49), however, appreciate the fact that similar issues affect

stakeholders differently. As such, managers need to constantly assess stakeholder significance in the light of each issue, in order to guide the amount of time and resources allocated to them. Assessing stakeholder significance using some meaningful criteria also assists in better management of their needs and expectations.

The next section discusses the internal environment of the organisation and examines two components that are significant to the process perspective – organisational strategy and structure.

2.3.2 *The Internal Environment*

Turning to the internal environment, two components are important for the present study. These are the organisational *strategy* that represents the determination of goals and the adoption of courses of action and allocation of resources necessary for carrying out the goals (Lewis 1999:10); and the organisational *structure* that represents the division of labour into tasks and coordination of those tasks to accomplish an activity (Mintzberg 1999:178).

2.3.2.1 *The Strategy-Process Relationship*

Thompson and Strickland (2001:10-11) define strategy as a blend of (1) deliberate and purposeful actions, and (2) as-needed reactions to unanticipated developments, fresh market conditions and competitive pressures, and (3) the collective learning of the organisation over time—the internal activities it has learned to perform well and the competitive capabilities it has developed. The aim is to be successfully competitive, please customers and achieve organisational objectives (p.10). Strategy represents broad statements of direction and intent and as such creates the framework through which different activities should be carried out to deliver a unique mix of value (Porter 1996:64).

Organisational processes ought to be tied to such strategic intent and actions, to ensure that unique value is delivered to the end-user (Schmidt & Treichler 1998:58). Processes that do not link strongly to strategy may have the wrong

focus, or be too narrow to achieve the intended outcomes (Cook 1996:34). As such, processes must be defined and developed with regard to their contribution to the overall organisational strategy (Garvin 1995; Edwards & Peppard 1997).

Davenport (1993:117-118) describes strategy as the backdrop against which process vision is created and driven. Congruence between strategies and processes is essential. Strategy and process objectives must reinforce one another and echo similar themes. A well-defined strategy provides a context for process innovation and the motivation to undertake it.

Given the fact that resources are almost always scarce, Crowe and Rolfes (1998) also suggest that process innovation, design or redesign should be based on strategic objectives, and the processes targeted should be those most likely to yield the greatest good for the organisation.

Schmidt and Treichler (1998) argue for a reciprocal relationship between strategy and process, which they note has been conspicuously absent from management literature. In the 'process follows strategy' relationship, processes are a means to an end with regard to strategies. Strategies are implemented by means of processes. Processes support strategy implementation. The overall aim is developing a sustainable competitive advantage through differentiation that is developed via the process (p.60).

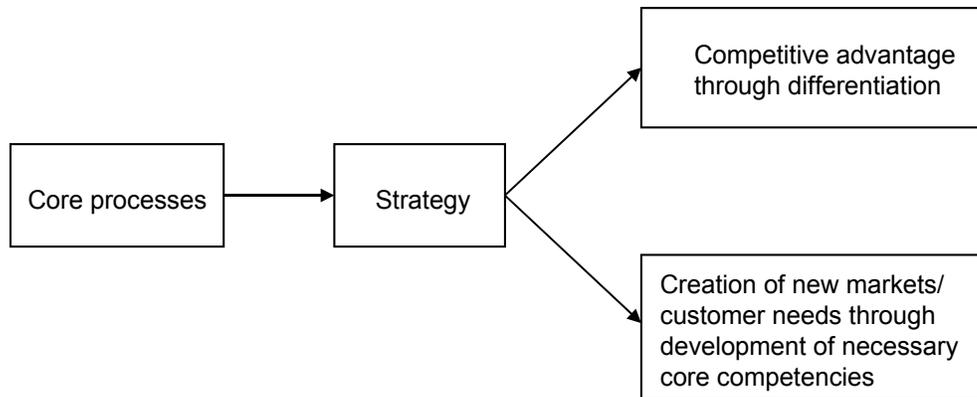
Explaining the strategy-process link in the opposite direction, the 'strategy follows process' relationship, Schmidt and Treichler (1998:61) use the concept developed by Burgelman (1983) of 'strategic context determination'. Strategic context determination refers to the process through which middle-level managers attempt to convince top management that the current concept of organisational strategy needs to be changed so as to accommodate new business activities that fall outside the scope of the current organisational strategy. The key to understanding the activation of this process is that corporate management knows when the current strategy is no longer entirely adequate but does not know how it should be changed. Through the selection

of autonomous strategic initiatives from below, it becomes apparent which businesses can become part of the business portfolio (Burgelman 1983:238).

These new fields or ventures become defined by middle management out of the agglomeration of specific activities related to a single new product or service, processes or systems, developed at the level of venture projects rather than the other way around. The role of top management becomes one of altering strategy and acquiring resources to fit in ongoing venture activities. This is done by rationalising the viable initiatives of middle management. Thus, an activity, a process or a system becomes part of strategy rather than strategy determining the process or activity (Burgelman 1983:239).

The 'strategy follows process' relationship implies an initial function of an organisation's core processes during strategy development. An organisation's corporate strategy originates from its core processes, which are a starting point for achieving competitive advantage (Schmidt & Treichler 1998:61).

The building blocks of corporate strategy therefore become business processes, rather than products and markets. Competitive success depends on transforming an organisation's key processes into strategic capabilities that consistently provide superior value to the customer (Stalk, Evans & Shulman 1992:62). Differentiation or creation of new customer markets becomes possible through the design of core processes that are optimised to enhance customer value. Only the uniqueness and originality of process design leads to original core competencies that imply successful differentiation against competitors (Siegle 1994, cited in Schmidt & Treichler 1998:61). The organisation's success therefore depends on the transformation of core processes into new strategies. The 'strategy follows process' perspective is demonstrated in Figure 2.2 below.



Source: Adapted from Schmidt and Treichler, 1998:61

Figure 2.2. Transformation of core processes into strategies

Continuous experience with core processes leads to learning processes. Processes are on the one hand, the result of a continuous perception of the environment, and on the other, of interactions among employees responsible for the processes. Core processes are therefore the basis for the development of core competencies through organisational learning and contribute to strategy generation to a great extent. This work processes approach is used to define and redefine the strategy of an organisation (Schmidt & Treichler 1998:61).

The challenge presented to management by the strategy-process link is that the relationship is a reciprocal one. First, whereas it is important that processes support the strategy because they are critical for its implementation, it is equally important that managers explore the impact of processes for strategy formulation. The influence of process-oriented projects on the determination of the context of the strategy bolsters the strategy follows process proposition. This view has largely been ignored by process development experts and practitioners (Schmidt & Treichler 1998:62).

Second, because of their very nature, process initiatives that seek to change strategy are likely to encounter serious difficulties because they attempt to achieve objectives that may have been categorised by top management as impossible. Because such initiatives require unusual, even unorthodox approaches, they tend to create managerial dilemmas. There is a sense in

which the success of changing strategy based on new process initiatives is dependent upon the conceptual and political capabilities of managers at middle management, and developing consensus at this level becomes important for new process initiatives to be accepted (Burgelman 1983:241).

The strategy follows process perspective represents an important aspect of using processes to create competitive advantage and requires further exploration through research (Burgelman 1983; Schmidt & Treichler 1998).

The second element supporting processes that is examined in the current study is the structure and coordination of tasks within the organisation.

2.3.2.2 *The Structure-Process Relationship*

Pentland (1995:541) identifies four kinds of structures that are relevant in thinking about processes. *Institutional* structures determine how the different kinds of transactions are configured. *Technological* structures demonstrate how technology affects the actions of users. *Coordination* structures explicate the timing and sequence of interdependent steps in a process to ensure outcomes are realised. *Cultural* structures determine the norms, expectations and behaviour that are considered appropriate in a given situation [Emphasis added]. The focus of the present study is on the *coordination* structures, and discussions are therefore limited to this component.

Bartol et al. (2001:267), Dawson (1996:109) and Mintzberg (1999:178) have defined structure as the formal pattern of interactions and coordination designed by management to link tasks of individuals and groups to achieve organisational goals. Mintzberg (1999:178) defines structure as consisting of two fundamental and opposing requirements: the *division of labour* into various tasks to be performed, and the *coordination* of those tasks to accomplish the activity [Emphasis in original]. The parameters of designing an organisation's structure are job specialisation, formalisation, centralisation, departmentalisation, reporting relationships and liaison with outsiders (Mintzberg 1999:180-186).

Structures as defined above tend to be based on either function or product with managers in charge of these divisions, and with little or no process orientation. However, since processes that produce value for the end-user cut across several departments, product- or function-based structures have difficulties meeting end-user needs seamlessly across different functions because no one “owns” the issue of how long it takes or how much it costs to fulfil end-user requirements (Davenport 1993:159). As such, they may be viewed as constraining process initiatives (Pentland 1995:547). Departmental heads only report to higher-level managers, so that a customer perspective can be realised only at that level. Frontline managers will be reluctant to take the same perspective since they are not accountable for the outcome of other departments taking part in the same process (Vanhaverbeke & Torremans 1999:44).

Process-centred organisations have the ability to overcome this problem since, by definition, processes bring the customer to the fore (Davenport 1993:159). The characteristics of key processes as cross-functional automatically de-emphasises the functional structure of an organisation and structuring along processes becomes completely different from redrawing lines and boxes on the organisational chart (Braganza & Lambert 2000:180-184; Vanhaverbeke & Torremans 1999:44). The work processes perspective therefore provides an especially useful framework for addressing the problem of fragmentation or lack of cross-functional integration. Charting horizontal workflows are convenient ways to remind staff that the activities of disparate departments and geographical units are interdependent, even if organisational charts, with vertical lines of authority suggest otherwise (Garvin 1998:36). Processes may therefore be viewed as tools for managing the white space between functional units in the organisational chart to provide superior performance (Rummler & Brache 1995:45).

Taking a process-oriented view is therefore perceived as being incompatible with the traditional, hierarchical, functional organisation structures, as it encourages members to interact horizontally and consider how the actions of one organisational unit affect those of another. Functional units, their processes

and responsibilities are articulated in such a way as to ensure that they contribute to meeting process outcomes, through facilitating cross-functional interaction (Forssén 2001:259; Navaratnam & Harris 1995:16). Such departmental linkages have been shown to deliver significant performance improvements by enhancing organisational capabilities, reducing variability in the way specific jobs are executed and eliminating excessive variability in workloads. A process view assists managers to identify and address congestion problems caused by mismatches between the workload or an organisational unit and its capacity to handle that workload (Adler & Mandelbaum 1996:136).

Leader to Leader (2000) suggests that in a multi-dimensional and dynamic world, it is not very prudent to create an organisation that is uni-dimensional and static. There is need to build the organisation, not around a hierarchy of tasks and responsibilities but rather around a set of processes that define flexible roles and relationships. According to *Leader to Leader* (2000:29-30) process-based view of organisations will affect traditional organisational structures in three different ways:

- Turning the structure on its head—the bottom-up initiatives: When those on the frontlines are in closest contact with the fast-changing external environment and in control of the scarce knowledge and expertise, bottom-up initiative is a vital process that every organisation needs to create. This process is driven by the frontline managers who become the champions of change.
- Linking and leveraging of assets across functions: The horizontally driven structure resulting from process-orientation is central to the task of developing, diffusing and applying knowledge—the process at the heart of organisational learning. It implies the ability to take the expertise in one area, link it to an asset in a second area, locate information tracked by a third area and deliver a product where the opportunity lies.
- Focusing on continuous self-renewal, where organisational change is not through architectural organisational design changes, but continuous learning. The result will be re-inventing processes rather than organisational structures.

The structure-process link probably represents the biggest challenge for managers. As Davenport (1993:160) notes, although the problem of rigid functional organisations is well recognised, the proposed solution—to abandon any form of structure beyond the self-managing team—is frequently worse than the problem, or at least is less well defined.

Nickols (1998:16) warns that processes are difficult to identify because they lack names, definitions are inadequate, boundaries are arbitrary and examples are often disputed. Very few organisations, if any, have actually designed and implemented process-structures. Examples to follow and learn from are therefore scarce, and managers are not sure where to start and how to go about redesigning their organisations (Davenport 1993:162). Caution therefore needs to be exercised around process-based structuring.

Vanhaverbeke and Torremans (1999:47) note that setting up a process-centred organisation is a major challenge because of the difficulties in implementing it. The resources involved in identifying, redesigning and testing a process, determining what works and then implementing it may not justify the need to change. As such, functional structures continue to exist and determine the nature of processes. Majchrzak and Wang (1996:93) have shown that simply changing organisational structure from functional units to process-centred departments is not enough to guarantee performance. Departments should cultivate collective responsibility and collaborative culture; shifting boxes of the organisational chart alone cannot achieve these goals.

Davenport (1993:166), Hammer and Stanton (1999:111) and Vanhaverbeke and Torremans (1999:41) note additional dilemmas with the process-based structures. Functional skills are important to a process orientation, as is concern for product management and running of strategic business units. Additionally, just as key process activities can fall between the 'cracks' of functions, so too can important functional activities fall between the 'cracks' of processes, even broadly defined processes (Davenport 1993:166). A change in mind-set therefore needs to be implemented with regard to how to integrate process and

functional structures. Hammer and Stanton (1999:111) suggest a coexistence and partnership between vertical and horizontal management structures. Vertical management systems may need to be reworked, but they cannot be altogether disbanded. This view of structure changes the perception of how functional structures constrain processes, and instead demonstrates that structures – though of different kinds – are inevitable for the management of processes (Pentland 1995:546-548).

Owing to the shortcomings of the designing organisations around processes, functional structures continue to be used and determine processes. However, the process-based structure is still being promoted as an effective way to organise activities. Davenport (1993:160) argues that process-based organisations are a powerful compromise between the need to maintain structure and the desire to adopt a flexible approach to the way work is done. The idea behind redesigning an organisation around processes is therefore not to abolish organisational structure completely, but to redefine it.

Vanhaverbeke and Torremans (1999:42) distinguish two key ideas underpinning a process-based organisation. First, the organisation is divided into basic organisational units, which are organised around the core processes. This implies that the units are based on a customer-oriented process and that the organisation will be structured along the main objective of these units. Second, other processes are gradually added so that these organisational units can operate in the most effective and efficient way.

The idea of process-based organisational structures is further developed by Kirchmer (1999) who proposes that individual organisational units should be made responsible for entire business processes because of two reasons:

- The number of interfaces between organisational departments is reduced. This is due to a re-grouping of every function, making it possible to carry out complete tasks in one department;
- The structuring of necessary interfaces (for example, coordinating departments), some of which is still necessary, is simplified (p.9).

Figure 2.3 below illustrates Kirchner's proposition of a transition from a functional to a process-based organisational structure.

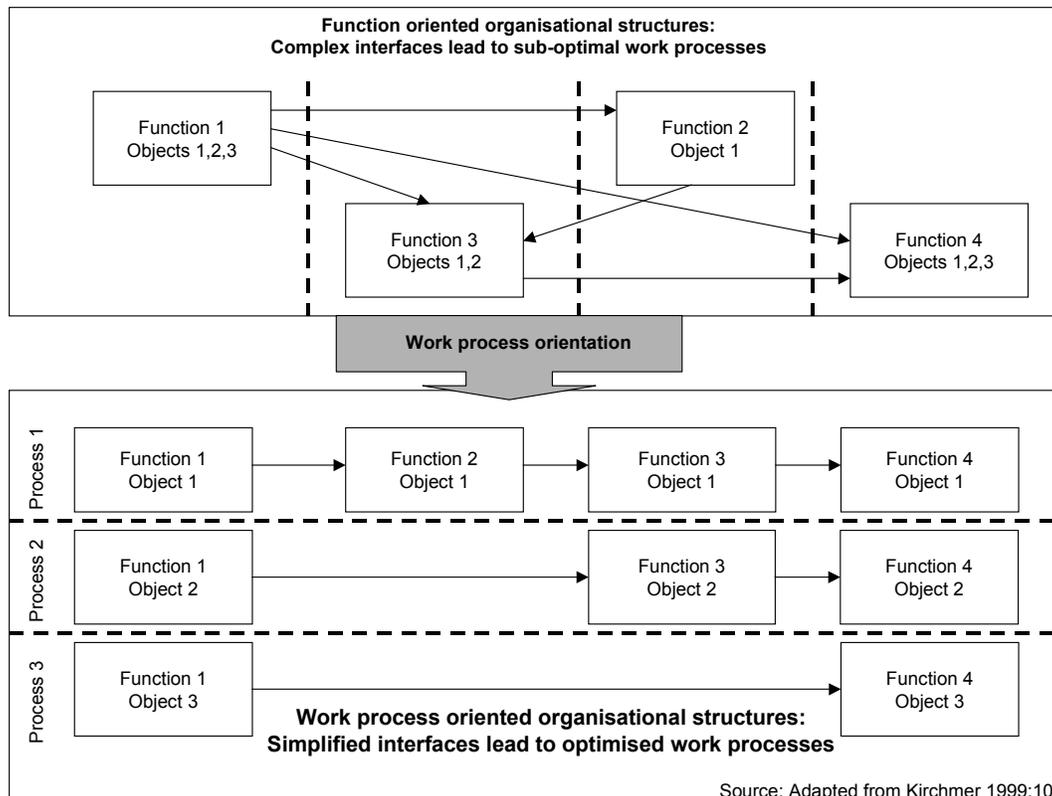


Figure 2.3. From function-oriented to process-oriented organisational structure

In Figure 2.3, functions may include research and development, finance and administration, policy development, and public relations. The objects may represent the stakeholders such as government agencies or clients. It is conceivable that any one stakeholder's interests may have a bearing on how the organisation manages its functions, or in other words, each function affects one or more stakeholders. Grouping organisational activities around processes may therefore be viewed as a way of enhancing stakeholder satisfaction, with each process targeting a particular object/stakeholder.

However, a closer look at Figure 2.3 shows what appears to be duplication of functions. Function 4 for example, is performed for Objects 1, 2 and 3. Viewed

from that perspective, it begs the question of whether a process-based structure is not just an ineffective duplication of functions. The result might be improved satisfaction of stakeholders, but at what price on organisational resources, as functions are duplicated across stakeholders. This suggests that the design of process-based structures requires clear planning and thought to determine what its benefits are likely to be, and to establish whether the benefits outweigh the implementation and management costs.

2.4 Conclusion

This chapter has addressed the significant relationships between an organisation and its environment, as well as the importance of organisational processes that convert inputs into outputs to achieve stakeholder satisfaction. Organisational processes have strategic relevance and the transformation of inputs into outputs involves the division and coordination of tasks within the organisation to achieve strategic outcomes. Organisational strategy and structure are therefore considered important in the transformational component of processes.

The effect of the external environment – the macro environment and external stakeholders has also been discussed. The transactional component of process – the relationship between an organisation and its external environment in exchanging inputs for outputs is important to the extent that it influences how processes progress and the outcomes achieved.

An examination of the transactional and transformational components of process provides the necessary data for identifying good organisational management practices as defined through goal achievement and stakeholder satisfaction.

CHAPTER THREE

THE PROCESS-BASED ASSESSMENT AND NGDOS

3.1 Introduction

The theme of the study is that a process-based analysis of donor non-governmental development organisations (NGDOs) provides an important assessment of NGDO functioning and outcomes, and paves the way for the development of a framework that could guide the implementation of good management practices for NGDOs.

The features of a process-based assessment have been discussed in Chapter Two. This chapter seeks to discuss NGDOs in depth, and demonstrate how they would benefit from a process-based assessment.

3.2 Defining NGDOs

The study has targeted Australian-based voluntary non-profit, non-governmental organisations working within the framework of international development cooperation, often referred to as Non-Governmental Development Organisations (NGDOs). The EU-NGO Liaison Committee (1997), Ng'ethe (1989), Sogge (1996) and Wolf (1990) summarise NGOs as organisations which may have the following characteristics. They:

- Are rooted in civil society. NGOs need to have direct or indirect public support in the sector of civil society in which they are based;
- Are independent to pursue their own development initiatives. NGOs need to be free of state control and steering by government and multilateral institutions or by outside bodies with aims that are different from or contrary to their own. This does not necessarily exclude an NGO from being funded by government, or other organisations or from working in collaboration with them;

- Have a clear constituency and are accountable to that constituency;
- Have a formal legal status, according to the appropriate laws of the country in which they operate;
- Have humanitarian objectives and programs;
- Are not-for-profit;
- Often have a large voluntary component.

The accuracy of these characteristics is increasingly being questioned especially with regard to the first three. That the issue of NGO definition is being contested will become increasingly clear in the analysis and discussions of the findings on the study in Chapters Seven to Ten. This section, however, aims to provide the reader with a clear focus on the kinds of organisation under study.

In attempting to distinguish development organisations from the broader category of NGOs described above, Fowler (1997:38) and the Industry Commission — Australia (1995a) add particular characteristics to development NGOs thereby referring to them as NGDOs. They:

- Are legitimised by the existence of the world's poor and powerless and by the circumstances and injustices they experience. They are involved in raising funds to provide development assistance to the poor and powerless. Often this involves the transfer of resources from developed to developing countries, hence they are sometimes referred to as 'Overseas Aid Agencies';
- Act as intermediaries, providing support to those who legitimise them;
- Are predominantly hybrid in nature. They operate on the basis of multiple, partially conflicting, partially reinforcing organisational principles, attempting to balance between internal and external influences to ensure that overall they meet their objectives.
- Focus on effective sustainable development and poverty alleviation, which is critically dependent on them retaining these values and principles as the primary force in their way of working.

This last characteristic defines the ultimate goal of development assistance in general and therefore the framework in which NGOs are expected to operate as defined by the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) (OECD 1996). It is an important characteristic to remember because it will be referred to severally in discussions on how NGO strategic choices and processes have either facilitated or hindered the achievement of this ultimate goal.

The terms 'overseas aid agencies' or simply 'aid agencies' are often used to refer to donor NGOs because of their predominant role of resource transfer. Hence these terms are used interchangeably in the study to refer to the kinds of organisations described above.

3.3 *Why Look at NGOs*

Debates about NGOs have long been marked with paradoxical arguments and discussions. On the one hand research studies have commended NGOs for their values of participatory approaches in reaching the poor, accountability to stakeholders, empowerment of local communities, policy advocacy in the interests of the poor and powerless and their role as catalysts of development (Brown 1992; Fowler 1997; Staudt 1991). On the other (sometimes by the same researchers) they come under heavy criticism for the lack of these same values (Adair 1999; Fowler 2000; Holloway 1998; Stirrat & Henkel 1997; Streeten 1997).

The arguments and subsequent conclusions that these and other observers have drawn about what NGOs do and are able to achieve, are often an assessment of both the outcomes of NGO field projects, and their organisational policies, strategies and managerial capabilities (or lack thereof). In other words, the field projects in addition to providing the intended assistance to target groups, act as a mirror through which the actions of NGOs are assessed by stakeholders and observers, and comparisons drawn between actual outcomes (both the tangible and intangible), and intentions and values. In

some cases, mismatches have been noted between intentions and outcomes, resulting in criticisms against the claims made by NGOs about their achievements.

Some of the NGO values that have been put to the test are illustrated in the examples below.

Streeten (1997:559) in discussing the role of NGOs in economic development looks at some of their project work in developing countries and comments:

Among the drawbacks of (donor) NGOs are objectives that are sometimes vague, management problems, lack of accountability, low replicability, their small size which means they reach few people (fewer than claimed), and the poorest are not among them.

Holloway (1998) and Adair (1999) question the acclaimed credibility of NGOs. Holloway (1998:93) questions the moral high ground that NGOs have enjoyed for a long time and discusses the pressures they face, particularly in fundraising. He identifies some of the corruption issues that NGOs have been involved in, such as designing fraudulent proposals for funding, being formed for the sole purpose of capturing funding available from government, or being a “gun for hire” – contracting on any job for which funding is available. Holloway observes that NGOs need to fight these forms of corruption if they are to stay afloat and regain public trust – a prerequisite for effectiveness.

Adair (1999:26) in arguing for NGO codes of conduct notes that:

When the integrity and credibility of an organisation are under challenge, the organisation has to demonstrate by its actions that it continues to be worthy of public support. It is not enough to proclaim innocence and virtue...Legitimate concerns have been raised about the secrecy, sources and application of funds, management procedures and practices, corporate governance and lack of democratic processes within some prominent NGOs.

Stirrat and Henkel (1997) and Fowler (1998) raise the issue of partnerships between the donor and recipient NGDOs. Donor NGDOs like to represent their activities in terms of partnerships. 'Partnership is intended to be an equality in ways of working and mutuality in respect for identity, position and role' (Fowler 1998:141). For donors, the great advantage of the model of partnership is legitimation in that it allows them to claim a certain authenticity: "We are of and for the people". Moreover, as partners whose identities are subsumed with each other, the lines of accountability are blurred: who is accountable to whom (Stirrat & Henkel 1997:559).

However, a closer observation shows that this intended partnership has not worked as planned. No matter the degree to which common identity is asserted, there is still an asymmetry between givers and receivers, and the one who pays the piper not only calls the tune, but also attempts to make sure that it is performed. Old identities re-emerge, old lines of differentiation reassert themselves (Stirrat & Henkel 1997:559). Rather than both parties gaining in terms of credibility, legitimacy, autonomy, economic viability, effectiveness, influence and leverage within their respective societies, one — usually the donor NGDO — gains more than the other (Fowler 1998:141).

These criticisms are valid because they point to the fact that there is an apparent variance between NGDO values and practice, and also demonstrate that part of that variance may be attributed to organisational functions such as the management of development programs, fundraising, accountability, and the legitimacy of donor NGDOs.

These examples support the issue raised in the introductory chapter that managerial and organisational aspects of donor NGDOs are important to acknowledge and examine because they allow the donor NGDOs to be critically scrutinised, and their contribution to the overall development processes critically assessed (Wallace 2000).

To enable a comprehensive assessment of NGDO organisational factors, a framework is required, that facilitates an in-depth analysis to examine how, why and where variances between intentions and outcomes occur, and respond to them. The model for a process-based assessment discussed in Chapter Two provides a framework for conducting such an analysis. With its emphasis on both the transactional component that defines the relationship between an organisation and its external environment, and the transformational component that defines the processes involved within an organisation, the model facilitates an examination of NGDO activities to identify where inadequacies may lie. The outcome of such an examination would be the development of a framework to guide the implementation of improved management practices for NGDOs.

3.4 Defining Development

One of the aims of the current study is to develop a conceptual framework for a critical analysis of processes in NGDOs to guide in the implementation of good *development* practices. In the context of NGDOs, however, what does the term 'development' mean?

Multiple interpretations of the term 'development' and approaches to 'delivering development' exist making definition difficult. On the one hand it is synonymous with 'progress' and on the other with the intentional efforts to 'ameliorate the disordered faults of progress' (Cowen & Shenton 1996:7).

Hettne (1995:15) argues that to a large extent, development ought to be contextually defined, and should be an open-ended concept, to be constantly redefined as an understanding of the process deepens. This view of development as contextually defined is supported by Preston (1996) who perceives development as an ethico-political notion, and that what is going to count as development will inevitably depend upon circumstance-sensitive and problem-specific analyses. What is going to count as development will have to be locally determined. Thus, 'there can be no fixed and final definition of development, only suggestions of what development should imply in particular contexts' (Hettne 1995:15).

The ambiguity and relativity of the development concept is further deepened by the fact that according to Toye (1987:10), the definition of development depends on the values of the person doing the defining, as well as on facts that are in principle falsifiable. Cowen and Shenton (1996:4), also note that, 'development comes to be defined in a multiplicity of ways because there is a multiplicity of "developers" who are entrusted with the task of development.' However, only some of these 'developers' have sufficient power for their interpretation of 'development' to be effectively imposed on others (Thomas 2000b:774). In spite of the ambiguity, Edwards (1999), Escobar (1995), Esteva (1992) and Ferguson (1994) note that development aims to achieve an improvement in people's lives, and appreciate its significance.

Other scholars and practitioners have tried to package the development concept in ways that provide for development programs and activities to be defined. The Australian Agency for International Development (AusAID) (2000a:251), for example, defines development as:

A comprehensive economic, social, cultural and political process which aims at the constant improvement of the wellbeing of the entire population and of all individuals on the basis of their active, free and meaningful participation in development and in the fair distribution of the benefits resulting therefrom. [Emphasis added].

In their definition, Turner and Hulme (1997:11) provide a six-point definition of what they envisage should constitute development. Development encompasses:

- An economic component dealing with the creation of wealth and improved conditions of material life, equitably distributed;
- A social ingredient measured as well-being in health, education, housing and employment;
- A political dimension including such values as human rights, political freedom, enfranchisement, and some form of democracy;

- A cultural dimension in recognition of the fact that cultures confer identity and self-worth to people;
- A full-life paradigm, which refers to meaningful systems, symbols, and beliefs concerning the ultimate meaning of life and history; and
- A commitment to ecologically sound and sustainable development so that the present generation does not undermine the position of future generations.

In synthesising varying definitions of development, Thomas (2000b:777) suggests that there are three main senses of the term 'development'. These are:

- (i) *As a vision, description or measure of the state of being in a desirable society;*
- (ii) *As an historical process of social change in which societies are transformed over long periods;*
- (iii) *As consisting of deliberate efforts aimed at improvement on the part of various agencies, including governments, all kinds of organisations and social movements [Emphasis in original].*

In defining development, Thomas (2000b:776) also distinguishes between 'immanent' development which is inherent development and 'intentional' development which forms the deliberate policy and actions of states and development agencies.

The definition of development as 'intentional' development has brought about with it the concept of 'trusteeship'. Trusteeship means one agency is 'entrusted' to act on behalf of another, in this case to try and ensure the 'development' of the other. Trusteeship may be taken on by one agency on behalf of another without 'the other' asking 'to be developed' or even being aware that the intention to 'develop' them exists (Thomas 2000b:784). A number of agencies have taken on this trusteeship role including NGDOs at the local, national and international levels, as well as other international organisations such as the

World Bank, the International Monetary Fund (IMF) and various United Nations (UN) agencies.

Questions have been asked as to whose interests these development agencies represent. Theoretically, the interests of those being developed should be represented through the actions of the agency entrusted with acting on their behalf. But whether it does that, and does it in ways that demonstrate accountability remains a general problem. Zadek (1996:30) indicates that:

The trustee model was legitimate only until it was really tested. It could not withstand the pressures of a complex matrix of activities involving large volumes of resources, and major conflicts of interest regarding the use of those resources. Most of all, it became the subject of challenge the moment the overall legitimacy of the agencies claiming trusteeship became open to doubt.

While these definitions are by no means exhaustive, they draw on some general themes of development as a long-term process aimed at changing or improving the lives of all those living under unsatisfactory conditions, and with a set of actors guiding the process. The definition by Thomas (2000b) of development as intentional and the trusteeship model discussed by Thomas (2000b) and Zadek (1996) brings out the questions raised at the beginning of this chapter on the legitimacy, accountability and management of NGDOs in delivering development assistance, and the need to examine NGDO activities.

More specifically, these definitions bring together six aspects about development that are relevant to the present study. These are the development goal, duration, scope, outreach, environment and the facilitators of the development process. These are summarised and discussed in the next section.

3.5 Development Attributes and their Significance to NGDO Development Processes

Six features seem to emerge from the definitions of development. They define the context of operation, process and the anticipated outcomes of development initiatives. These include the:

- Development goal: The goal of development to bring about *sustainable change*, hopefully an *improvement*, in the lives of those for whom it is intended, through *intentional* efforts (AusAID 2000a; Cowen & Shenton 1996; Eade 2000; Edwards 1999; Hettne 1995; Thomas 2000a; Ward & Hite 1998).
- Development duration: Development as involving *long-term ongoing* action rather than a one-off intervention. It is a *process* that should also build on itself (Hyden and Mukandala 1999; Preston 1996; Thomas 2000a, 2000b; World Bank 1997).
- Development scope: Development as an *all-encompassing* concept. This involves a comprehensive and integrated approach with a focus on the various *interrelated aspects* that affect the lives of people (AusAID 2000a; Edwards 1999; Thomas 2000b; Turner & Hulme 1997).
- Development outreach: The development process as not being confined to the national boundaries of the country in which an organisation is based, but targeted at all areas where poverty and injustice exist. It aims for the wellbeing of the entire population. Its focus is *global*, hence is often referred to as 'international' development (AusAID 2000a; Edwards 1999; Esteva 1992; Fowler 1997; Hettne 1995).
- Development environment: Development as taking place in the context of an environment that consists of economic, social, cultural, technological and political aspects, as well as conflicting goals, values and interests between the actors. Development is contextually defined (AusAID 2000a; Cowen & Shenton 1996; Edwards 1999; Hettne 1995; Preston 1996; Thomas 2000a, 2000b; Toye 1987; Turner & Hulme 1997).

- Development ‘facilitators’: This process of development as being ‘entrusted’ to various *international organisations*. As such, they may be viewed as ‘agents’, ‘drivers’ or ‘facilitators’ of development (Cowen & Shenton 1996; Thomas 2000b; Zadek 1996).

Generally therefore, development is viewed as a goal-oriented process, aimed at a particular target group, occurring in a context of multiple, often conflicting agendas, and with a set of actors driving or facilitating it. The actors determine the scope, initiatives and activities through which the goals are to be achieved. In this regard, it appears to be similar to most other social, economic and political processes. What distinguishes development from other processes though, is its focus by the developed world on the developing world (Preston 1996).

For a more comprehensive analysis, these attributes could be grouped into three categories.

The first category includes what appear to be the ‘conventionally acclaimed’ attributes of development. These include the development goal, duration, scope and outreach. These are viewed as some of the ‘values’ inherent to the aid system as identified by development theorists. International development organisations try to incorporate these attributes in their work (Eade 2000; Fowler 1997; Malhotra 2000; OECD 1992; Smillie 1997; Streeten 1997; Thomas 2000b; Turner & Hulme 1997; Wallace 2000; World Bank 1997). They may therefore be viewed as some of the ‘expectations’ on the development process.

The second category is the development environment. There are the economic, social, cultural, technological and political aspects. These are often referred to as the general or macro environment factors whose conditions have an infrequent and long-term impact on the organisation. There are also the multiple stakeholders and actors that have a closer and more direct relationship with the organisation, referred to as the task environment (Bryson 1999; Daft 1997; Harrison & Shirom 1999; Hudson 1999; McKenna 1999; Thompson & Strickland 2001).

The third is the organisation itself as the ‘facilitator’ of the development process. On the one hand, as the facilitator the development organisation defines its boundaries within the development arena. It determines what aspects of the overall goal it will address and how these will be addressed. In other words, while it is expected to operate within the ‘conventional’ development attributes, the organisation is at liberty to determine its scope in terms of activities, target groups and duration. Such scope is often expressed in the mission statement of the organisation (Fowler 1997; Thomas 2000a, 2000b; Zadek 1996).

On the other hand, there are the environmental factors that directly or indirectly influence the activities of the development organisation. Unlike the ‘conventional’ set of characteristics, the organisation generally does not determine the environment factors that will affect its operations. The environment presents a difficult set of challenges for development organisations because they often react to problems emerging in a global space over which they have only partial and often quite marginal or no control (Hettne 1995).

The organisation is thus at the centre of the multiple forces and influences as demonstrated in Figure 3.1 below.

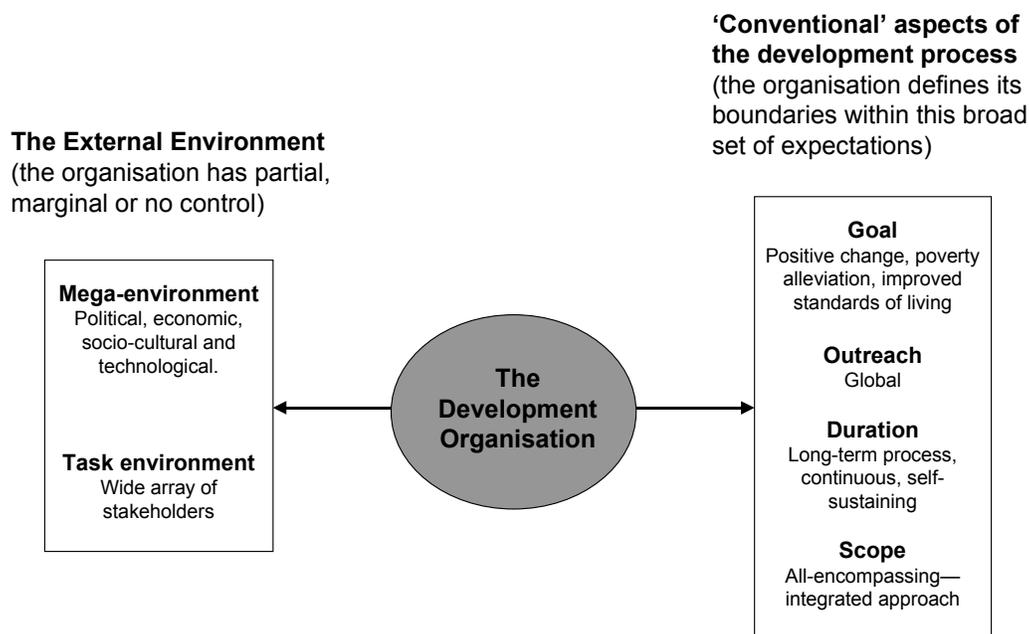


Figure 3.1. The development organisation in context

Figure 3.1 above shows the context in which the development organisation operates, or is at least expected to operate. The sections that follow discuss the above model to show how development organisations have coped with this wide context of operation. As noted earlier, there is a large community of organisations involved in international development. However, the focus of the current study is on non-governmental development organisations. As such, much of the discussion will centre on them.

3.5.1 The 'Conventional' Factors

These are the factors considered by development actors to be inherent to the development agenda. They include the development goal, scope, outreach and duration.

3.5.1.1 The development goal and NGDOs

Setting the stage for international development, four international institutions – the International Monetary Fund (IMF), the Organisation for Economic Cooperation and Development (OECD), the United Nations (UN) and the World Bank Group (WB) have put together an 'international development goals' document. The document, *A Better World for All: Progress towards the International Development Goals (2000)* lists seven goals of international development to be achieved in the next fifteen years, as well as indicators for measurement. The goals, set mainly in quantitative terms, address the need for a world free of poverty and free of the misery that poverty breeds.

The goals focus on the provision of basic education, gender equality and empowerment of women, reduction in infant, child and maternal mortality, and increased national strategies to promote sustainable development by reversing the loss of natural resources (IMF et al. 2000).

While appreciating these goals/targets, Hubbard (2001:297) notes that they are insufficient to address the issues of poverty and the circumstances that

surround it. There is need for a finer-grained, more disaggregate and complete view of who is poor and why, progress made and the options available to improve their circumstances. There is also need for a deeper understanding of non-income poverty—inequality in particular, its impacts and remedies.

Fowler (1997:6), in discussing the overall long-term goal of development assistance, presents a statement similar to one by the IMF et al. (2000) – the creation of societies without poverty and injustice. The functional purpose of development is to nationally and internationally foster socially just, sustainable economies with accountable, inclusive systems of governance.

However, Fowler (1997) concurs with Hubbard (2001) that the practice of development goes deeper than setting quantitative targets and addressing them. That is only part of the strategy in poverty alleviation—what Fowler describes as micro-level development (Fowler 1997:8). Fowler (1997:12) notes that in order to achieve outcome at this level, NGOs are engaged in seven types of activities – material services, social services, financial services, capacity building, process facilitation, fostering linkages, reconciliation and mediation.

Material services cover provisions such as hardware for water supplies, school or road constructions, inputs for agriculture, medicines and medical equipment. Social services can be health, or legal advice centres, counselling, or special education for people with disabilities. Finance is often in the form of micro-credit lending schemes (Fowler 1997:12).

Parallel to these, NGOs need to be able to engender change in human behaviour and capabilities. These can be through literacy and training, and facilitation to learn and be able to change their behaviour in a positive way (Fowler 1997:13). NGOs can make critical contributions to capacity building because they have demonstrated a comparative advantage over government agencies and other development actors in reaching the very poor (Brown 1992; Streeten 1997; Wallace 2000).

NGDOs are also perceived as encouraging local participation in project design and implementation, responding flexibly to local needs and building human and organisational capacities for problem solving at the grassroots level (Brown 1992). This is essential because sustainability depends on the process followed, not just on what is achieved materially (Fowler 1997:13). Fostering horizontal links with other community groups and vertical links with other associations such as the market and systems of governance are all vital for sustainability. Otherwise, external intervention does not become rooted into the fabric of the life of those for whom it is intended (Fowler 1997:13).

The professionalism and effectiveness of NGDOs is critically dependent on achieving the right balance between these various types of interaction, not just once but over the whole course of the relationship. This constitutes a significant organisational and management challenge (Fowler 1997:13).

Brown (1992), Cameron (2000), Fowler (1997, 2000), Streeten (1997) and Thomas (2000a) address development at another level – the macro-level. At this level, the authors identify policy advocacy, lobbying, public education and action, public mobilisation, monitoring compliance and inter-sectoral problem solving as vital tasks for poverty alleviation. These tasks focus on influencing power holders and structures in order to consolidate social change.

Policy advocacy requires knowledge of the area, backed up by sound analysis and an ability to argue with technocrats and specialists who have their own interpretation of affairs. Donor NGDOs are in a position here to validate and strengthen their concerns based on their experiences with their partner organisations. They act as catalyst for the advocacy process, through which they focus on influencing the general public as well as a small number of the policy-makers. Lobbying takes advocacy messages to the political realm. Here the task is to identify and put pressure on specific points. Campaigns, often a form of public education, are often used to support both advocacy and lobbying efforts (Fowler 1997:13-14).

Public education and action more broadly, through school curricula, television programmes and newspaper articles are intended to raise the population's awareness of development as a problem and a challenge (Fowler 1997:14). The objective is to build knowledge, promote the values of development and urge a more generous cooperation between donors and recipients (Fowler 1997; Streeten 1997; Thomas 2000a).

Many development problems can be understood and solved only through cooperation among several agencies. NGDOs can act as a catalyst bringing to bear the expertise of diverse groups. Inter-sectoral cooperation can harness information and resources to solve problems that are unsolvable by single parties (Brown 1992; Fowler 2000).

Monitoring compliance calls for access to information about the implementation and effects of policies and agreements the government has undertaken. Any policy or research institute could be able to undertake this monitoring role. The difference between NGDOs and other institutions would therefore be the ongoing experience from their work at the micro-level. In other words, there needs to be a coupling between the two levels (Fowler 1997:14).

The effects of policies taken at the macro-level will be seen by the results at the micro-level, and the aid agencies are in a position to identify these results. Conversely, the experiences gained at the micro-level serve to provide valid data that enhances advocacy on policy matters at the macro level. Success in sustainable poverty alleviation is tied to linking success in these two levels (Fowler 1997).

In order to achieve success at both levels, alliances between specialist aid agencies operating at different levels are probably an attractive and useful option (Fowler 1997). This implies that NGDOs probably need to establish working relationships with organisations in different sectors, or other NGDOs specialising in particular development aspects, or both, in order to consistently address the goals of international development.

3.5.1.2 *The global development outreach and NGDOs*

Donor NGDOs fall within a category of unique bureaucratic agencies – different from those experienced by governments or the corporate sector. By definition, they are not only required to be responsive to demands and pressures exercised in the domestic arena, but also to those originating outside their domestic jurisdiction (Hyden & Mukandala 1999:12). They are expected to operate either regionally or globally and make an impact at that level. The theory of development is based on the focus by developed countries on developing countries (Hettne 1995; Preston 1996; Ward & Hite 1998).

For NGDOs, impacting on the global level inevitably involves linking actions in different countries, so communication and a common agenda or framework of understanding becomes important. A proper interplay must be created between, for example, the source of advocacy activity and evidence, lobbying approach and campaigning. This calls for globalisation of aid agencies' strategies and a mind-set that transcends existing organisational and national boundaries (Edwards 1999; Fowler 1997).

In this regard, it is particularly significant to note that aid agencies are embedded in social and political environments where their individual administrators will in most cases be strangers. The cultural and language gap that exists between the representatives of donor NGDOs and the recipients of aid presents challenges in the way NGDOs function and what they can be expected to achieve (Hyden & Mukandala 1999:12).

In spite of the barriers to cross-country operations, NGDOs have attempted to take up this challenge to function in ways that leave a mark in the global affairs, appreciating that their actions in one place affect outcomes in a wide range of areas. They could, for example, claim some credit for bringing about the international ban on land mines, or the agreement to the establishment of an international criminal court. They have helped to put debt relief for the world's poorest countries back on the international agenda, and imposed new

accountability and functional transparency on the International Monetary Fund (IMF) and the World Bank (Schwenninger 2000:41).

That NGOs are operating and need to continue operating in a global setting is not in dispute. What is a challenge for them though, is how to organise themselves in the face of the changing economic, political, cultural and technological trends that are associated with globalisation (Edwards 1999; Held et al. 1999; Hyden & Mukandala 1999).

Commins (2000) presents a rather grim image of the future of development organisations in a global setting, especially as they compete for attention with the political, economic, social and technological advancements that are increasingly being defined globally. Commins (2000:70-1) argues that their role in international development may be diminishing.

Owing to the rapid changes in the international political economy, and the deeply embedded political and social factors in each complex emergency, NGOs are in danger of becoming increasingly marginal in terms of the importance of their work. To put it in stark terms, they are becoming the delivery agency for a global soup kitchen, handing out meagre comfort amidst harsh economic changes and complex political emergencies, in a world that is characterised by global economic integration and social exclusion of low-income communities, as well as widespread and continuing levels of civil strife... While NGOs have claimed the right to a moral as well as programmatic voice in international affairs, their organisational legitimacy and operational impact are in fact being weakened.

The various strands of what is described as globalisation are pushing NGOs into roles that will minimise their long-term impact. They are faced with potential marginalisation as global institutions are reshaped by a market-centred agenda (Commins 2000:71).

In contrast, Edwards, Hulme and Wallace (1999) view the trend towards globalisation as resulting in a lot of excitement about the new possibilities, as well as widespread anxiety about the future of the NGDO world. Globalisation poses two kinds of challenges for NGDOs. One is a chance for more international cooperation. While the need for more cooperation among NGDOs is generally encouraged, the challenge is that now cooperation is developing between unlikely institutions – NGDOs and businesses, international organisations and citizens' groups. It is precisely the reality of the increasing interconnectedness between sectors that makes cooperation both necessary and possible. However, the resultant diverse relationships between different sectors of society call for new rules.

In this regard, Edwards (1999:18) calls for new forms of governance that should endeavour to respond to the following three questions:

- What is an acceptable core of global rules, rights and standards, when the groups cannot agree on the ones currently in existence?
- How might a legitimate authority be constituted at the global level, and linked in a meaningful way with new patterns of local governance that are emerging around the world?
- How can a global system be made to work so as to benefit its weaker members, when the world is such an unequal place?

These questions apply as much to NGDOs as to any other forms of international regimes. Their answers will in effect contribute to responding to the second challenge—the problems that globalisation brings into the international development arena. These include the reshaped patterns of global poverty, accentuated inequalities and new levels of insecurity in the world; and complex political emergencies' which are characteristic of the post-Cold War disorder as state authority erodes and people under threat take refuge in ethnicity and religion (Edwards, M. et al. 1999:117-118).

In responding to these challenges, Edwards, M. et al. (1999:129) note that this changing global context suggests four key challenges for NGOs in the next 10-15 years:

- How to mobilise a genuinely inclusive civil society at every level of the world system;
- How to hold other institutions accountable for their actions and ensure that they respond to social and environmental needs;
- How to ensure that international regimes are both implemented effectively and work to the benefit of poor people and poor countries;
- How to ensure that gains made at the global level are translated into concrete benefits at the grassroots.

For development organisations to be in a position to take up the oversight responsibility on these issues, however, they would have to first ensure that they themselves are observing these four practices—mobilising civil society, accountability, effectiveness in implementing development initiatives, and translating global gains to local levels. Unless they remain on the ‘moral high ground’ with regard to these issues, their oversight role is likely to be weakened (Adair 1999; Holloway 1998).

3.5.1.3 *The development scope and NGOs*

Development is viewed as an all-encompassing concept that attempts to integrate various aspects that affect the lives of people (Thomas 2000b). But is that practical? Can NGOs select/limit their scope by determining what activities to get involved in and what their philosophy ought to be? This question arises from Fowler’s (1997:218) concern that development assistance in general is suffering from an overload of expectations. As experience grows, new initiatives and expectations are added without old ones being withdrawn. Today, some of the focal areas of international aid are:

- Sustainably reducing poverty;
- Ensuring people's access to basic needs;
- Halting and redressing environmental degradation;
- Paying special attention to gender and the situation of women;
- Engaging the 'unbankable' poor as economic actors in an expanding market place;
- Empowering the marginalised to act as citizens in a push for better governance;
- Strengthening civil society with a reform of social institutions;
- Ensuring human rights are respected (Fowler 1997:218).

NGDOs caught up in this web of attempting to achieve as much of the set tasks as possible are stretching their resources sometimes too thinly to do any good. Bryson (1995) suggests that after an organisation has determined the significant issues as derived from stakeholders, the next step should be to prioritise those of strategic importance to the organisation. However, this prioritisation is not a straightforward process. It is riddled with conflicts and dilemmas especially when the strategic issues for the organisation are not in congruence with the requirements of some of the key stakeholders. The philosophy of "what we say goes" that may be practiced by some key stakeholders, especially funders, is likely to divert the direction of the organisation to areas that are not necessarily in the best interests of the target groups. The result is one of engaging in broad, sometimes poorly defined activities (Brinckerhoff 2000:56).

Another reason for engaging in a wide range of activities may be as a strategy to fundraising. Jackson and Donovan (1999:131) note that applying for funds just because of availability alone is tempting and indeed a prevalent practice among nonprofits. "The money is there, why not take advantage of it to help our clients?" Examples can be seen of organisations in a panic and basically applying for every kind of funds even when they cannot provide an adequate service. Such donor-driven development initiatives have, however, been

criticised as an irresponsible waste of resources (Holloway 1998; OECD 1996; Streeten 1997). The OECD (1996) comments:

One of the key lessons about development cooperation is that donor-driven initiatives rarely take root and that developing countries and their people must be at the centre of an effective system. The OECD will therefore require broader discussion especially with developing country partners, and ideas will need to be tested in practice and adapted as necessary (OECD 1996:15).

In this regard, NGDOs will need to dialogue with their funders to lobby for better ways of redirecting official aid and other financial flows, as well as providing some proven alternatives (Fowler 1997).

Observers and evaluators of development organisations call for NGDOs to be realistic about what they can be able to achieve. Fowler (1997) advises them to recognise their proportionality and act with humility.

When it comes to investment in development, in financial terms NGDOs are very minor players and will continue to remain so. To remain credible, NGDOs need to be more modest about what they are able to achieve. While this stance may not be good for fundraising and market share, it will protect them from the charge of misleading supporters, as more and more assessments show that there is a large gap between public statements and what is realised in practice. The distance between NGDO claims and their achievements is already coming to light with implications for credibility and legitimacy (Fowler 1997:18-19).

NGDOs therefore need to better define the scope of their work and direct their efforts accordingly. They ought to be careful to only pursue or accept grants that are consistent with their mission, to not compromise their independence, to not place more responsibility on themselves than they can manage, and to not spread their resources so thinly as to be ineffective. They need to confine themselves within the boundaries they have set unless they have developed

sufficient well-thought-out strategies to venture into new areas (Ball & Dunn 1996; Brinckerhoff 2000; Bryson 1995; Charlton & May 1995; Fowler 1997; Hudson 1999). The credibility at this level will be vital in facilitating them to play the advocacy and oversight role noted in section 3.5.1.2 of holding others accountable for their actions and ensuring authentic development benefits reach the poor.

3.5.1.4 *The duration of development initiatives and NGOs*

For how long does or should 'development' continue? In one sense, looking back at some of the definitions of development in section 3.4, it may be viewed as a continuous never-ending process. As Thomas (2000b) defines it, development is an historical process of change as societies are transformed over long periods of time, it is visionary—the desirable state the society hopes for, and it involves the deliberate efforts in between the history and the vision.

The question for development organisations then becomes, where do they begin and where do they end their linkages and partnerships with particular communities? What duration is reasonably sufficient to claim that they have contributed to the 'development' of a community – the vision for a better life?

Several guidelines exist to inform the decisions on 'how long' an organisation should engage with a particular community. One is based on funding availability. If funds are being obtained from, say, the government for a one year duration, then the project runs for only a year (Fowler 1997; Jackson & Donovan 1999). While this is realistic planning, it begs the question of how much 'development' can happen in a year.

In response to this concern, the OECD (1996) appreciates that to make aid work better, there is need to commit adequate resources over longer durations. It comments:

Our vision of development is one that fosters self-reliance in which countries and people are less in need of aid. However, many poorer countries simply do not yet have access to other resources sufficient to achieve the outcomes that serve everyone's interests. Development will depend upon the continued availability of concessional resources, while countries build the capacity to create and mobilise domestic resources and attract private capital flows (OECD 1996:16).

Ball and Dunn (1996) have outlined as one of the guidelines for good policy and practice of NGDOs, ensuring their income base is broad and oriented towards long-term sustainability. In the same vein, they have requested funders to be prepared to consider support that will strengthen the long-term sustainability of NGDOs. One way of doing that is offering long-term, comprehensive and flexible support rather than short-term, partial or project-specific funding.

A second guideline is that NGDOs like all other development organisations can at best offer concessionary as opposed to dominant assistance, to help the local communities manage and survive on their own (Lewis, et al. 1988). The assumption behind provision of foreign aid is that it complements local savings resulting in increased level of resources for recipients in developing countries thereby enabling accelerated economic and social development (Edwards 1999; Hyden & Mukandala 1999).

Thus, NGDOs can act only as facilitators in the development arena. The actual 'development' is an outcome of what the communities do for themselves rather than what development organisations do (Lewis, et al. 1988). In this regard, the question of duration may become redundant as the focus is on complementing rather than replacing or dominating the resource base. That should not absolve NGDOs from taking responsibility for their actions. On the contrary, they ought to strive to ensure that they act in ways that 'facilitate' communities to achieve their own goals, and more importantly avoid shifting the resource base of a community so significantly as to destabilise existing structures of resource mobilisation (Ball & Dunn 1996).

A third guideline in determining duration of projects is the acknowledgment of development organisations that there are many actors in the international development arena, thus their contribution is part of a bigger whole, rather than a stand-alone entity. This means that they add to what others have done and continue to do, and in a sense attempt to focus on only a manageable part of the whole that they can contribute to (Uphoff 1995). It also suggests the need for increase collaboration within the sector and with other sectors that would result in a reduction of duplication of activities and a maximisation of resource use (Edwards 1999).

Arguing from this standpoint, it would mean that the duration of a particular project might not matter very much in itself, as long as it contributes something to the greater good of the community. The counter argument to this is that the short-termism of a project could in itself be detrimental to a community (Ball & Dunn 1996; Wallace 2000). Short-term disconnected projects that do not link up very well with each other and with the social fibre of the community they are intended to benefit, and sometimes contradict or duplicate each other, may end in what Uphoff describes as the 'zero-sum' of development (Uphoff 1995:25). The need for increased intra-sectoral and inter-sectoral collaboration can therefore not be overemphasised.

A fourth guideline is to support a community until a level of 'sustainability' has been reached. One of the dynamics that makes for sustainable development is the achievement of multiple benefits from a particular cost. This means not only that the benefit-cost ratio is likely to be more positive, but also that more stakeholders will be created for the perpetuation of the activity or relationships in the long run (Uphoff 1995:25). However, for multiple benefits to be visible, multiple mutually reinforcing relationships ought to be established. Unfortunately, projects and communities are often treated as closed systems for the sake of analysis and comparisons, not to mention time-bound objectives and funding arrangements (Uphoff 1995).

One common thread in these guidelines though, is that they are determined from the NGDO point of view, and not from the legitimising population. Second, they are all relative. For example, there is no agreed interpretation of concepts like 'sustainability', 'long-term', or even 'development' to help determine a reasonable duration for development initiatives. Even when organisations may agree on what is a reasonable duration for program work, other external factors such as funding, reporting requirements, demands for quick 'visible' outputs of projects, and sometimes even government regulations in target countries, may have an effect the duration of projects, and consequently the long-term impact of development work.

The objective of presenting these four features of development is to set the stage for process definition and assessment of outcomes. They set the scene by focusing on development goals. Goals are used to define the strategy of an organisation, from which processes are defined. The development goals have been identified in Section 3.5.1.1, and the strategy for achieving these is by the macro- and micro- level development actions through which services are delivered to recipients. The next is to determine those steps or streams of activities – the processes, through which inputs are converted to outputs and outcomes to achieve organisational goals (Davenport 1993; Schmidt & Treichler 1998; Garvin; 1995; Crowe and Rolfes 1998).

The other three components – outreach, scope and duration may be perceived as important dimensions of the development goals, and the processes identified may be assessed against these dimensions as well. For example, if development is perceived as a long-term multi-sectoral initiative aimed progressive change, then a process may be assessed to determine if it promotes that initiative. Such an assessment would determine the elaborate nature of the process, and therefore extent to which it contributes to meeting development goals.

From the discussions presented, a major process of NGDOs appears to be that of service delivery of macro- and micro- level services to intended target groups. One of the aims of the current study is to identify good development

management practices in the processes that determine the effective operation of NGOs through their contribution to the achievement of development goals. The background provided in this chapter provides the backdrop against which process identification and assessment will be conducted to facilitate in the identification of good development management practices.

The second category of factors that emerged from the definitions of development was the external environment components – those of the macro environment as well as the task environment. The next section reviews the significance of these external factors to NGOs.

3.5.2 *The Environment and NGOs*

The concept of the 'environment' refers to the context in which an organisation operates. There are macro environment factors and task environment factors, which affect the process and outcomes of development organisations. The macro environment factors are broad conditions and trends in which the organisation operates (Bartol et al. 2001; Bryson 1995; Johnson & Scholes 1993; McKenna 1999). The task environment factors are the specific outside elements with which an organisation interfaces in doing its work. They include customers and clients, competitors, suppliers, labour and government agencies (Figure 2.1) (Bartol et al. 2001). Specific to the NGO sector, the task environment factors include target beneficiaries, partner agencies in developing countries, donors, government agencies and other NGOs (Bryson 1999). These five factors of the task environment make up the list of external stakeholders important for NGOs (Hudson 1999).

Development occurs in this environment that is riddled with complexities, opportunities and threats posed by these factors. NGOs operate in this context and need to be aware of these complexities because they present forces and trends that pose challenges to their existence, survival and performance (Bryson 1995).

3.5.2.1 *The macro environment*

The macro environment factors include the political-legal climate, the economic conditions, socio-cultural and technological climate (Bartol et al. 2001; Bedeian 1993; Bryson 1995; Daft 1997; McKenna 1999).

3.5.2.1.1 *The political-legal environment and NGDOs*

The political and legal environment refers to the legal and government systems within which an organisation operates. It influences how an organisation functions and responds (Bartol et al. 2001; Daft 1997).

At a national level, for example, the conservative governments of Ronald Reagan and Margaret Thatcher made support for the voluntary sector a central part of their strategies to reduce government spending. In 1995 the Norwegian Labour government issued a long-term program stressing the importance of voluntary organisations as mediating institutions between the individual and the larger society, and in Japan, a 1990 law permits income tax deductibility of contributions that corporations make to charitable organisations (Charlton & May 1995).

In Australia, since 1980 the Federal government provides for contributors to approved NGDOs to claim donations above two dollars as an income tax deduction. By forgoing taxation revenue, the government encourages the public to support the work of Australian NGDOs. Financial support to NGDOs through the various AusAID (previously Australian International Development Assistance Bureau [AIDAB]) funding schemes for both long-term development and emergency relief has also provided much needed resources for NGDO work (Rugendyke 1991:14). Additionally, NGDOs have continued to receive acknowledgment that their role is significant and worth of pursuit, especially in reaching those communities that governments and market-based institutions are not able to reach (Brown 1992; Streeten 1997; Weisbrod 2000; World Bank 1997).

The result of these political-legal decisions has been the growth and expansion of NGDOs as they receive increased funding from government, multilateral donors and the public.

While the outcomes of increased involvement of NGDOs into the agenda of governments and multilateral agencies may be varied, Smillie (1995b) notes that NGDOs are increasingly at a risk of becoming implementers of state policies at the expense of their own missions. The acceptance of large volumes of official aid involves entering into agreements about what is done, and how it is to be reported and accounted for. This fosters an emphasis on certain forms of activity at the expense of others, on upward accountability towards donors rather than downwards towards target groups, and on particular donor definitions of achievements (Hulme & Edwards 1997a:8).

A counter-argument to this is that NGDOs could claim to use their increasing closeness to donors to expand effective operations and influence official approaches and concepts (Hulme & Edwards 1997a:10). However, according to Hulme and Edwards, there are few accounts to suggest that this is indeed the case, and the dilemmas NGDOs face in attempting to balance their growth and impact with influences from official sources are often more troublesome than most care to admit.

The other challenge NGDOs face in their political environment is that of legitimacy. Although globalisation challenges the authority of nation states and international institutions to influence events (Edwards 1999), national boundaries are still important to the extent that NGDOs are expected to abide by the regulations of the countries in which they operate (EU-NGO Liaison Committee 1997). In cases where there are repressive governments, or where governments feel that their sovereignty is threatened, they could severely restrict NGDO operations, or altogether outlaw them (Clark 1997).

NGDOs are therefore in a position where they need a critical balance between their own autonomy and independence amidst increasing funding from official sources. They also need to balance between being critical of regressive and oppressive government policies, while establishing positive working relationships with the governments of the countries in which they operate so that their activities are not undermined or severely restricted.

3.5.2.1.2 *The economic environment and NGDOs*

One outcome of the push towards neo-liberalism and the end of the Cold War has been the slashing of aid budgets leading to possible crippling of development assistance as a whole. From the outset, alongside the overt objectives of accelerating economic growth, the covert purpose of aid was to help win the Cold War (Fowler 1998, 2000; Kilby 1999; Malhotra 2000; Smillie 1997; Watkins 1995). Kapstein (1999:36) notes that foreign assistance was shaped by two great political forces – the Cold War and the welfare state. Since the Cold War has collapsed and the welfare state has come under increasing attack, it is not surprising that foreign aid too has lost its support.

Fowler (1998) and Pearce (2000) note that the lack of global rivalry that has resulted from the end of the Cold War and the irresistible rise of neo-liberal philosophy has transformed the rationale for aid. It has allowed the donor countries to redefine goals and policy agendas for development cooperation. Without this global rivalry, new reasons must be found to persuade taxpayers of the merits of aid.

Edwards, M. et al. (1999:122) note that the decline of foreign aid is the consequence of persistent intellectual and communications failings in the case for aid and continued political disinterest and/or disillusion. Coupled with this, has been the emergence of new forms of international cooperation better suited to the realities of the global economy where private flows of capital predominate, and the emergence of an international system based around rules and standards rather than subsidised resource transfers.

The end of the Cold War therefore, has seen the emergence of development policy and aid transfers have come to be dubbed the 'New Policy Agenda'. This agenda is not monolithic, but in all cases is driven by beliefs organised around the twin poles of neo-liberal economics and liberal democratic theory (Moore 1993, cited in Edwards & Hulme 1995a:4).

Under the New Policy Agenda, markets and private initiative are seen as the most efficient mechanisms for achieving economic growth and providing most services to most people. The role of NGOs is seen as providing welfare services to those who cannot be reached by the market. A second role for NGOs is seen as that of facilitating 'democratisation' and essential components of a thriving 'civil society', which in turn are seen as essential for the success of the Agenda's economic dimension (Hulme & Edwards 1997a:6).

In this context, the role of government has been diminishing, to that of an 'enabler' to facilitate the thriving of the markets, while NGOs receive increasing amounts of official aid so as to participate in the operationalisation of the Agenda's economic and political goals. Thus, whereas foreign aid is generally on the decline, aid to NGOs has been seen to increase in some instances to the extent that it is perceived as assisting in achieving efficient mechanisms for achieving economic growth (Hulme & Edwards 1997a).

This scenario has been perceived by some observers as creating a threat to the existence and role of NGOs as the trend towards neo-liberalism progresses. One possible threat is that because financial support to NGOs is increasingly being linked to neo-liberal goals, they face a future scenario where they can no longer rely on a system of international/governmental concessional aid as a reference point for their role, work and continuity (Edwards, M. et al. 1999; Fowler 1998; Watkins 1995).

This threat evolves from the view that the function of NGOs is one element in a broader neo-colonial project aimed at integrating the developing countries into a capitalist world economy. The implicit goal of international aid has shifted from geopolitical control to market competition and maintaining political stability and

economic growth within developing countries. Essentially its contribution is to the international conditions needed for global order, expansion of capital markets and free trade (Fowler 1998:138). The implication is that NGOs could be considered to have outlived their usefulness if major international development players deem this goal to have been achieved.

Another threat suggested by Pearce (2000:20) is to the legitimacy of NGOs. NGOs may have succumbed to the pressures and incentives to pick up the social cost of neo-liberal restructuring, and thus enabled multilateral and governmental institutions to avoid breaking with their neo-liberal faith. Many progressive and well-intentioned NGOs have accepted funding from these institutions to carry out community development, and more ambitiously democracy building, putting aside any residual doubts about neo-liberalism as such. The result has been that NGOs may have sacrificed some legitimacy in their own societies by their willingness to participate in implementing the social safety-net programmes that accompany donors' neo-liberal policies (p.21).

However, Sanyal (1997) and Edwards, M. et al. (1999), present an optimistic picture of how NGOs may be able to function in this environment. Sanyal (1997) suggests that they craft institutional strategies that provide resources controlled by both the state and market forces. In so doing, Sanyal indicates that they may be more effective in their poverty alleviation efforts not only by accessing the necessary resources, but also by positively influencing these institutions to introduce any required changes in addressing the causes of poverty. Edwards, M. et al. (1999:122) suggest that they can be committed to a more democratic process of setting the 'rules of the development game'.

The economic environment therefore poses a significant challenge for NGOs in terms of determining their legitimacy and role in international development, accessing resources and charting out future directions.

3.5.2.1.3 *The socio-cultural environment and NGDOs*

Policies and plans may be technically feasible but a group of cultural factors places limits on what policy-makers and administrators can actually achieve. Culture is manifested in beliefs, values, attitudes and norms of behaviour and is a product of history, tradition and social structure (Turner & Hulme 1997:34). Miller, Hickson and Wilson (1999) in comparing decision-making processes across cultures demonstrate how expatriates have to struggle to reconcile their 'Westernised' ideas about decision making with what they find in developing countries where the values and beliefs about decisions rest on very different principles.

For example, in studying the role of Thai values in managing information systems, Rohitratana (2000) found that Thais have a culture that did not allow for a flattening of organisational structures and shared decision-making roles, or for the push of that role to lower levels of the organisation. Where NGDOs may have field offices in developing countries, they would therefore need to consider conflicts that may exist between some of their assumptions on management and the culture of the countries involved. A single NGDO, while having similar policies, would need to translate these into different organisational structures and work processes to suit the different cultures.

In contrast, Parker, B. (1999:244) suggests that as the global trend progresses, the nation-state is not necessarily the main source of culturally acceptable behaviours or beliefs, as behaviours, norms, assumptions and values emerge from outside national boundaries. In this sense, culture becomes 'boundaryless' as organisational activities transcend national boundaries.

Whichever way culture may be viewed—either as a global phenomenon or a series of diverse national cultures, tension is growing as different societies interpret the global events in various ways (Parker, B. 1999). Controversial issues are arising, such as 'a global culture': the homogenising of values and aspirations to the norms of individualism and consumerism often identified with developed countries (Edwards, M. et al. 1999). The response—armed conflict

based on ethnicity, public dialogue over immigration and debates over religious fundamentals (Parker, B. 1999). Culture is becoming pivotal in the 'clash of civilisations' as those who see themselves threatened or disempowered by cultural recolonisation take refuge in ethnic and religious identity (Edwards, M. et al. 1999). Other commentators, however, beg to differ and dismiss such a conclusion as superficial arguing that while the trend may be towards globalisation, institutions have always been able to adapt to the local context and culture (Edwards, M. et al. 1999).

What have been the implications of cultural considerations (or lack thereof) for development organisations? Staudt (1991:44) points out that for many years, the emphasis on physical infrastructure and industrial development delayed managers' attention to cultural factors in project planning and implementation. The result was that project goals were not realised, people did not use services, opportunities were lost and/or development efforts were focused on the wrong groups. Cultural misunderstanding led to dramatic development failures.

Berman and Tetley (2001) present a case in which cultural settings were ignored in the implementation of computers to bureaucratic African governments. Those who insisted on the technology did not acknowledge that with it came new power groups and that power bases were going to be shifted – something that did not sit very well with the existing bureaucrats.

Staudt (1991) notes that while cultural consideration is fundamental to development work, the multiple levels of culture – from the national level, to ethnic and class levels, to gender and organisation, make it difficult for development managers to determine how to proceed to dialogue, plan and put policies into practice on cross-cultural basis.

While appreciating the fact that it would be naïve to expect all cultural issues to be dealt with before a development initiative can proceed, it is detrimental to project progress and success to ignore cultural settings. Whatever the challenges and struggles Staudt (1991) and Berman and Tetley (2001) advise program managers not to ignore culture in project planning and implementation.

3.5.2.1.4 *The technological environment and NGDOs*

In large part, development is about technology. As technology involves both hardware (materials and operations) and techniques (human knowledge) all technological activities have a human aspect (Dawson 1996:54). The speed of technological transformation over the past few decades has been unprecedented. However, the industrial nations possess a massive store of technology and continue to increase their technological lead over developing countries. This trend is likely to accelerate as science and technology is increasingly privatised and made available only to those who can afford to pay (Turner & Hulme 1997:34).

Even with the disparity in technological advancement between regions, there are undeniable global changes including the increased use of electronic communication, declining transport costs, more flexible forms of economic organisation and the growing importance of mobile assets (such as finance and knowledge) (Edwards, M. et al. 1999). Weick (1990, cited in Roberts & Grabowski 1999:162) notes that organisations and the world in which they exist are undergoing profound changes, as the scenario of organisational growth is marked with increased knowledge, complexity and turbulence. Technology is adding to this complexity because it is a source of *stochastic events* in organisations. Stochastic events pose difficulties for organisations because changes occur more quickly than people can learn about them. In response, organisations have to redefine the attributes of technology so as to be more appropriate for the organisation.

McLaughlin et al. (1999: 219) argue that when new technologies enter organisations, both the technology and the organisation are shaken up. New technologies bring uncertainties, instabilities and unforeseen problems, while at the same time the technologies themselves have to be reworked and rebuilt by users as they endeavour to build values into them. The attempt to reconstruct organisational certainty is therefore paralleled by the attempt to construct technological certainty. Organisations will therefore respond differently to the technological environment

In contrast, Edwards, M. et al. (1999) indicate that some of the outcomes of technology will be the establishment of an increasingly uniform horizon of production possibilities across national boundaries, integrating markets around the world and internationalising decisions about jobs and investments.

Irrespective of whether technological advancement will result in a trend towards standardisation of work processes internationally, increased interaction between regions, or increased turbulence within organisations, Bryson (1995:88) notes that the personnel in organisations will need new skills to utilise the new technologies. Organisations will need to adapt their processes, structures and resource allocation patterns. Information technology, one of the fastest changing technologies, will be particularly important in driving major changes that are likely to have a major impact on organisational performance, accountability and stakeholder empowerment.

For NGDOs, this technological advancement may imply different ways of working both at the global scene and with the local communities. At the global level, new forms of cooperation and collaboration could be available both among themselves, and with other international organisations (Edwards 1999).

McLean (2000) notes:

As science and technology collude effectively to shrink the world in terms of communication, transport, investment and production processes among others, international transactions, whether private or public, continue to increase. This is both a function of the growth of international organisations and a further reason for their existence, as a means of facilitating such international transactions and also a method of structuring them (p. 186-7).

The growth in technology therefore provides for a growth, expansion and restructuring of development organisations globally to allow for increased communication, collaboration and decision-making.

On the other hand, at the local level, interactions with communities may also need to be redefined. As access to technology (especially information technology) grows, communities may begin to feel that they can speak for themselves through video, the Internet as well as more traditional arenas like demonstrations. The legitimacy of donor NGDOs to appropriate the voices of others may therefore soon disappear (Edwards, M. et al. 1999:133).

The technological environment therefore presents challenges for restructuring of NGDOs, redefining their roles, and acquiring skills and resources required to effectively use new technologies, while at the same time opening up opportunities for more interaction across national boundaries.

These discussions demonstrate the existence of a dynamic relationship between the macro environment and the functioning of NGDOs to achieve development outcomes. The macro environment therefore is a significant component in evaluating the factors that influence process outcomes of NGDO activities, and the responses of NGDOs to these factors provides suggestions for management practices in the future.

3.5.2.2 *The task environment: the stakeholders and NGDOs*

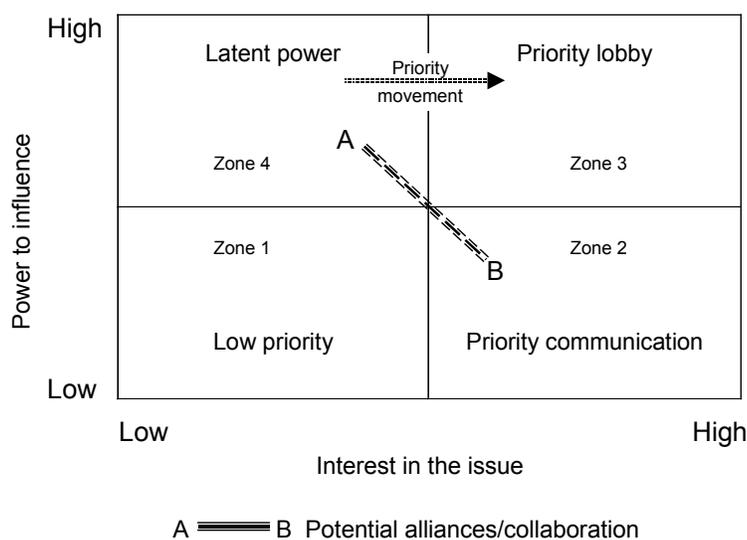
Bryson (1999:5) defines a stakeholder as 'any person, group or organisation that can place a claim on an organisation's attention, resources or output, or is affected by that output.' Fockel (1999) and Hudson (1999) identify the most important stakeholders for nonprofits as the target groups, donors, board members, staff, government agencies and other nonprofits. The current study is, however, limited in scope to cover the external stakeholders only. As such, board members and staff are not included in the study.

Fowler (1997:173) elaborates on this list by categorising stakeholders in three groups. There are those to whom an organisation has a formal or legal obligation, such as the legitimising population, funders, government and other NGDOs. The second category is one that helps an NGDO to be more effective,

such as research and study centres, collaborators and technical bodies. The third category is the people, groups or centres who have an 'imperative interest', and wish to influence the NGDO. They include opponents of the overseas aid system, those whose power base may be threatened by the NGDO, and other anti-NGDO groups.

These multiple categories pose a challenge for the NGDO manager because of the wide range of interests and influences they represent. The interests vary from being mutually complementing each other to being in complete conflict. Accordingly, the NGDO manager has a responsibility of classifying stakeholders according to some meaningful criteria in order to guide the amount of time and resources allocated to each (Perrot 1999).

Perrot (1999:225) suggests the use of a two dimensional matrix showing both the *level of interest* and *level of power* of each stakeholder. The level of interest of a stakeholder group will indicate whether an organisation needs to consider strategies such as in-depth research and custom developed communications. The level of power of a stakeholder could be important in deciding priorities for action, amount of resources allocated to dealing with the stakeholder, and the type of interactive strategy adopted [Emphasis in original]. Perrot's two-dimensional model is presented in Figure 3.2 below:



Source: Perrott 1999:226

Figure 3.2. Stakeholder action matrix

The general guidelines for action are that those stakeholders in the low priority zone (Zone 1) receive least attention because of their relatively low perceived power to influence either the organisation or an issue, and their low level of interest in the issue. Where stakeholders have a high interest but relatively low power of influence, the priority is for communication (Zone 2) to address their interests. Where both the interest and power to influence are high (Zone 3) the stakeholders take priority for action. The combined high power and low interest (Zone 4) suggests that the stakeholders have the potential to become supporters or adversaries. They therefore ought to be handled with respect. In all zones, however, levels of interest and particular concerns need to be regularly monitored to detect changes over time and respond appropriately (Perrott 1999:226-227).

Perrott's model is useful for NGDOs as they deal with their various stakeholders. According to the model, those who wield a lot of power and have a great interest such as the donors need to be given priority attention. As the nonprofit world has expanded so quickly and significantly and competition for resources is rife, funders are having a wide range of causes to support and will only fund those who meet their accountability demands and interests (Hudson 1999). The opponents of the development assistance system (Zone 4 of the model) also need sufficient attention because their influence could hurt the NGDO's existence (Fowler 1997).

Stakeholders are also important because they help to construct the 'bottom line' of the organisation. Fowler (1997:173) defines the NGDO bottom line as: *'the effective satisfaction of the rights and interests of legitimate stakeholders in keeping with its mission'* [Emphasis in original]. This, the organisation does by working with stakeholders to determine seven fundamental components that inform their work. These are identified by (Hudson 1999:93-94) as:

- Philosophy (a system of values by which to live);
- Vision (a view of the desired future);
- Mission (fundamental purpose of the organisation);

- Objectives (what it wishes to achieve);
- Strategies (how resources will be applied to achieve objectives);
- Process (the value-adding activities that transform inputs into outputs);
- Performance management of all value-adding activities within the organisation management system (the feedback loop that informs the organisation of its achievements).

It is important that organisations take stakeholder concerns seriously because they form the criteria that others are likely to use when judging their performance. The extent to which an organisation meets stakeholder requirements is used to determine effectiveness (Bedeian & Zammuto 1991; Daft 1995; Fowler 1997; Mark & Manderson 1996).

Stakeholders present obvious problems for the NGDO. First, any and all aspects of an organisation's performance would be viewed in terms of self-interest by each stakeholder. Organisational performance is not likely to be viewed impartially. Each aspect of performance is likely to benefit some stakeholders more than others, giving rise to the satisfaction of some and the dissatisfaction of others (Bedeian & Zammuto 1991:69; Fowler 1997:174). Second, stakeholder satisfaction is a necessary but insufficient condition for the organisation to survive and prosper. A closer focus on what the organisation needs to survive may reveal an important strategic issue. For example, how can the organisation secure the resources necessary to continue pursuing its mission if it does not already receive those resources from its key stakeholders (Bryson 1995:75)?

The role and significance of stakeholders in determining the NGDO bottom-line and their potential for influencing activities and outcomes, makes them particularly important in assessing their intervening effect on NGDO processes.

The macro environment and external stakeholders represent the external environment examined in the present study which aims to evaluate the moderating effect of these factors on NGDO processes and consequently goal achievement.

The third dimension of the study is the NGDO itself (Figure 3.1). The study seeks to determine the NGDO's response to the context of the 'conventional' factors – goals, outreach, duration and scope, and the moderating variables – the macro environment and the external stakeholders, so as to identify indicators of good development management practices.

3.5.3 The Development Organisation

The discussions thus far have focused on two contextual areas for NGDOs:

- The general 'expectations' or 'conventions' of the development process—the development goal, outreach, scope and duration; and
- The external environment in which they operate: the macro environment—the political-legal, economic, socio-cultural and technological, and the task environment—external stakeholders.

How are NGDOs functioning in this context, and with what outcomes and challenges?

In the past, NGDOs functioned as largely volunteer-based organisations, growing out of the concern and willingness to help those in need. Others grew out of national trauma such as civil wars or natural disasters. Historically their intentions and focus were on the needs of the impoverished, hence their small size, flexibility and capacity to engage grassroots energies, leading to an incredible diversity – as diverse as the needs identified and addressed (Salamon 1994:109). As the needs proved larger than the initial organisation had perceived or intended to address, some grew to involve other actors to help in fundraising, providing technical support and managing projects (Smillie 1995b).

This situation has changed dramatically and NGDOs are not necessarily small, flexible, or even engaging the grassroots capacities (Salamon 1994). According to Townsend (1999) NGDOs have grown into a transnational community, a long

way away from the informal localised organisations that symbolised their humble beginnings.

Salamon (1994:112) notes that the pressures to expand (and consequently lose some of the initial traits) can be traced to three sources: from “below” in the form of spontaneous grassroots energies, from the “outside” through the actions of various public and private institutions, and from “above” in the form of government policies. For example, the provision of external sizeable grants together with government regulations contributed to persuading NGDO leaders to begin formalising their work processes (Smillie 1995b).

Indeed from the discussions presented on the macro and task environment factors, as well as ‘conventional’ development factors, these pressures have also been identified. How should the NGDO respond to the multiplicity and complexity of challenges and environmental influences that riddle its sphere of operation?

The challenges posed by the context of operation as well as the changing trends suggest that, in order to thrive and make an impact in the long term, NGDOs need to develop a different set of roles, relationships and capacities as well as address the issues of legitimacy and accountability (Edwards & Hulme 1995b; Edwards, M. et al 1999; Fowler 1997).

3.5.3.1 *NGDO roles*

Viewed from the broad macro and task environment perspective, it is difficult to see how NGDOs could reshape the costs and benefits of global change through stand-alone projects at the local level. Instead they must build outwards from concrete innovations at grassroots level to connect with the forces that influence patterns of poverty, prejudice and violence (Edwards, M. et al. 1999:130). Smillie (1997:565) notes that an over-emphasis on service provision, at the expense of policy-related development issues such as trade, the environment and human rights could reduce the NGDO voice. This implies a gradual shift in NGDOs roles away from direct implementation or delivery of aid-funded projects

and services, towards policy dialogue, capacity building and 'learning-for-leverage' (Fowler 1997:223-228).

Charlton and May (1995) in presenting their counter argument with regard to aid-funded projects argue that NGDO activities in developing countries are likely to remain substantially defined by the demands for project-related work, and that such work should be accepted as an opportunity rather than defined as a constraint. They contend that the indirect political impact of discrete NGDO projects is cumulative rather than individually significant. It is through the experiences of project implementation that grassroots interpretations of the real meaning of development are formed, and the contents of this development evaluated and judged by its 'consumers'. The realities of otherwise abstract concepts, such as participation and democratisation can be evaluated and identified with. Charlton and May therefore argue that a project or service delivery role should not be marginalised as an adjunct to activities, but the very institution through which activities – from advocacy through development education and lobbying occur.

Commins (2000:72) in support of the Charlton and May (1995) argument, notes that NGDO programs should not be abandoned, and NGDOs should not only aim at having an impact at the global institutional level. Indeed, the 'scaling-up' from programme experience to achieve large-scale programme impact or to affect policymaking is among the most important 'value-added' aspects of NGDO work. However, linking programme experience to policymaking has been far less common than it ought to be, and requires more internal coordination than presently exists.

However, there is agreement that whatever route NGDOs opt for, there is need for learning and developing linkages between projects and policy. Charlton and May (1995:232) suggest that if NGOs were 'allowed' to experiment – and at times to fail – rather than to solve problems with simple "magic bullets", they would be much more effective and could contribute much further to an understanding of development problems and their solutions.

According to Edwards, M. et al. (1999) a stronger focus on the grassroots-global linkage has (or should have) major implications for the ways in which NGDOs organise themselves, raise and spend resources and relate to others. However, dependency on donor funds has tended to determine the roles and activities of NGDOs in developing countries. As such, they have lacked a genuine constituency of support, and the grassroots-global link has not been as strong as it ought to be. The ironic result has been that with a lack of grassroots support, NGDO projects in developing countries have tended to be removed from the real needs of the people, meaning that ownership and sustainability as well as accountability have been questionable (Edwards, M. et al. 1999). This invariably reflects on issues of impact, which donor NGDOs have acknowledged as being less than impressive. In other words, the very conditions and demands associated with donor funds could be the undoing of development initiatives.

In the future, NGDOs will need to find better ways of building constituencies for their work at every level and develop methods of working together through strategic partnerships that link local and global processes. By sinking roots into their own societies and making connections with others inside and outside civil society, NGDOs can generate more potential to influence things where it really matters. This is because of the multiplier effects that come from activating a concerned citizenry to work for change in a wider range of settings (Edwards, M. et al. 1999:130).

They also need to engage in measures designed to support local institutions to engage in discussions over priorities, take part in global regimes, and operate successfully as motors for change in economic systems, governance and social policy (Fowler 1997).

On a more general note, Commins (2000:72) asserts that the future roles of NGDOs are linked to their ability to examine their purpose and goals in a rapidly changing world. A critical examination would offer an opportunity for NGDOs to reconsider and reconceptualise their present roles and the future options, not merely in terms of their programmes but in a way that is more fundamentally embedded within their rationale for existence. Future explorations should be

designed to begin with an overview of NGDO work at different levels, and then to look at the future of NGDOs, given the changing realities of global trends.

3.5.3.2 *NGDO relationships*

Founded as charities to channel funds from rich to poor countries, NGDOs tend to find it difficult to adapt to a world of more equal partnerships and non-financial relationships (Edwards, M. et al. 1999:131). However, in a changing global context there is need to relate in healthier ways: alliances among equals, genuine partnerships and synergistic networks need to replace the asymmetries of power and voice that have existed for so long between donor NGDOs and their recipients. This will be especially important for activities that stretch across national boundaries such as lobbying. The move to embrace advocacy has to go hand-in-hand with alliances that can ensure that changes at the macro-level are actually translated into gains for people at the micro-level. This implies the need to forge relationships with other groups of civil society which can reach deeper and further into the mainstream of politics and economics—such as trade unions, consumer groups, environmental movements, universities and others (Edwards et al. 1999; Fowler 1997).

The other sets of relationships that NGDOs need to manage are between them and their donors, especially official (government) donors. As noted by Edwards and Hulme (1995a) and Smillie (1997), NGDOs that are *not* dependent on official aid for the majority of their budgets are now the exception rather than the rule [Emphasis in original]. Whether or not that trend changes remains to be seen. But while it continues, NGDOs need to manage relationships so that the ‘piper(s) do not call an inappropriate tune’ for organisations that claim to respond to the voices of the people they service (Edwards, M. et al. 1999:132).

NGDOs have a unique depth of experience in both development and complex emergency settings that could feed into new models of good practice and innovation, as well as policymaking. However, if they are to make any impact both on their own internal operations and on wider policymaking decisions, they need to establish new forms of partnerships with all important stakeholders, with

sympathetic research groups and allies among the donor community (Commins 2000:73). They also need to establish strategic alliances to deal with multi-sectoral issues. Inter-sectoral cooperation can harness information and resources to solve problems that are unsolvable by single parties (Brown 1992; Fowler 2000).

3.5.3.3 *NGDO capacities*

To support their roles and relationships, NGDOs will need to develop a new range of skills and capacities. Among these will be the ability to listen, learn and work with others at both local and global levels and outside the development sector. They need a more strategic understanding of how and where global issues 'bite' on the NGDO agenda and how organisations need to change in order to respond to new demands (Edwards, M. et al. 1999:132).

Innovations in markets and economics will demand much greater detail from NGDOs in their analysis and proposals. Finely nuanced judgements in complex political emergencies will require more highly developed information-gathering and analytical skills. Research at this level will probably be most effectively achieved through academic-practitioner collaboration and new forms of working across institutional boundaries. The willingness to learn and accept the absence of simple answers to sustainable development dilemmas will present a major challenge to NGDOs that have grown accustomed to claiming to have solutions and occupying a moral high ground (Edwards, M. et al. 1999; Holloway 1998).

Another capacity that needs to be developed further is that of linking theory with practice by learning to negotiate with other stakeholders so as to achieve more with the resources at their disposal. Edwards (1999:86-7) notes:

The challenge for the future is not an intellectual one. We already know the principles of project success: engage with local realities, take your time, experiment and learn, reduce vulnerability and risk, and always work on social and material development together. The real issue then is

why so many agencies cut corners on these principles, and the answer to that question lies in: the short-termism, control orientation and standardisation that have infected development work for a generation or more. In this worldview, projects are a mechanism to deliver foreign aid, not short-term building blocks to long-term change. Instead of accompanying projects as they evolve, donors use them to generate the results they want to see. There are some difficult issues here about financial accountability and the need to demonstrate rapid gains to keep the aid funds flowing. However, if we want projects to deliver better results, we have *to let them go* against a small core of negotiated objectives and performance standards. This is the paradox of achieving more by intervening less [Emphasis in original].

Another capacity requirement is the ability to adapt to changing contexts through a process of learning (Edwards & Hulme 1995b). Learning about changes in the external environment (donor policy and development ideology, for example) is necessary for NGDOs to anticipate threats and opportunities and prepare for them. Learning is also required so that they can be competitive, and respond to the demands for accountability and results, and to the close scrutiny from both the international development proponents and critics (Edwards 1997).

The range of capacities required therefore include the ability to work with others outside the development sector, develop a strategic understanding of contexts and adapt accordingly, and negotiate successfully with stakeholders.

3.5.3.4 NGDO legitimacy and accountability

A priority issue for NGDOs, even more demanding than those mentioned above, is the question of legitimacy and accountability (Saxby 1996). Legitimacy especially goes to the very heart of the NGDO, and its mission: most obviously, what are NGDOs for in the 21st century (Edwards & Hulme 1995b)?

Saxby (1996:40-41) notes that legitimacy signifies rightful authority bestowed upon an organisation by a recognised source. It has two critical components – the duly constituted internal authority by those who bestow the authority; and a measure of accountability to those the organisation serves. For NGDOs the latter component is particularly significant as illustrated by Thomas (2000b) and Zadek (1996) in discussing the trusteeship role of NGDOs.

Thomas (2000b) and Zadek (1996) note that donor NGDOs have taken the trusteeship role, to act on behalf of their recipient NGDOs to try and ensure their 'development' or the development of the local communities that they serve. This trusteeship role has sometimes been taken without NGDOs in developing countries being aware of its intentions or benefits for them. As a result, they are questioning the right of donor NGDOs to speak for them, and the legitimacy of donor NGDOs has come under critical scrutiny.

The growth and vocal presence of NGDOs in developing countries is presenting a challenge for donor NGDOs in two dimensions. First, their organisational legitimacy and relations of accountability and actual impact of their programmes are being questioned. Second, the governments in developing countries are taking a harder line on NGDO operations and priorities. NGDOs are now viewed more sceptically than in the past, in terms of whether they can deliver what they promise and whether they are usurping the role of the government in shaping development programs and priorities. In effect, this means reduced room for manoeuvre, greater demands for transparency, quality of programmes and accountability to institutions in developing countries (Commins 2000:73).

To survive in the future, donor NGDOs will need to become good civic actors otherwise they will be unable to encourage cooperation and accountability of other institutions. They will need to be more open and transparent in an age when institutional accountability is a condition for a seat at the negotiating table. If they are to succeed in becoming social actors in a global world, pushing for justice, equity, democracy and accountability, then these characteristics will need to be reflected in their own systems and structures (Edwards, M. et al. 1999:133).

Edwards and Hulme (1995b:226) note that unless NGDOs face up to these challenges quickly, and unless they begin to take their roles and responsibilities more seriously, they are likely to be bypassed in the future by governments and official agencies that they have rigorously criticised in the past.

3.6 Conclusion

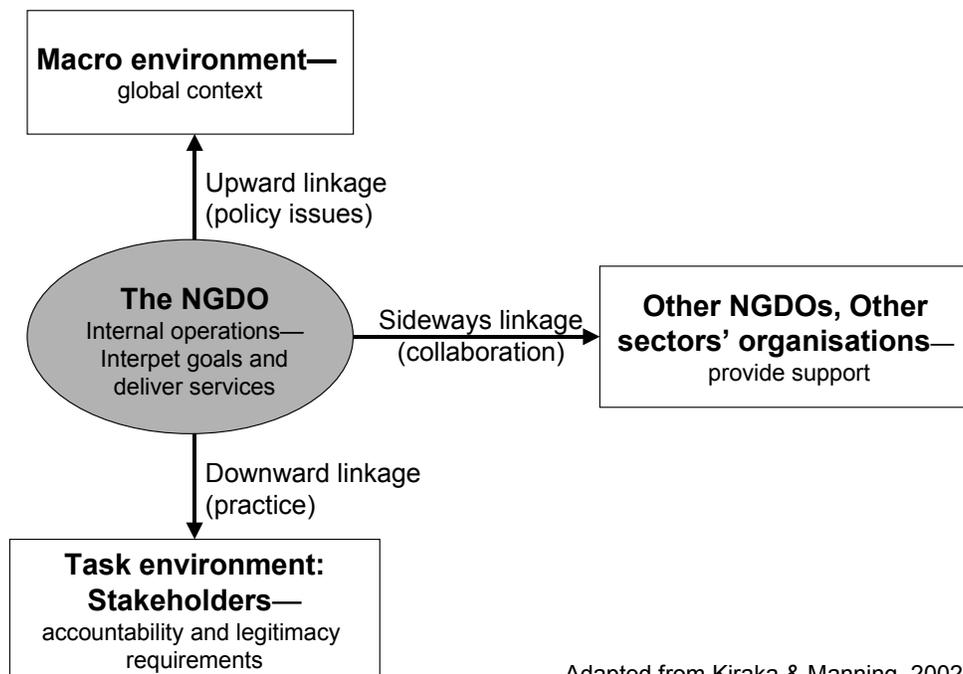
This chapter has addressed the contextual issues affecting development organisations. It has responded to the question of *what* areas NGDOs may need to be focusing on to improve their impact in international development. In pulling together the discussions presented in this chapter, a summary of the emerging themes is presented, as it relates to the study.

One of the themes is that of achieving development goals, and this will be demonstrated in the way NGDOs interpret goals, deliver their services and define their activities in terms of scope, duration and outreach. This calls for strong ‘internal’ linkages that link together the internal operations of the NGDO—policies, practices, objectives, operational requirements, schedules, programs and projects. These components need to hang together. Their coherence cannot simply be assumed to exist, but needs to be questioned and evaluated regularly to ensure it is adequate and appropriate.

A second theme is the need for linkages between grassroots activities and global trends. NGDOs working in an intermediary position will need to develop stronger roles, relationships, capacities and accountability mechanisms in these two vertical directions—an ‘upward’ link to the global environment where policy issues are addressed (macro-level action), and a ‘downward’ link to their stakeholders, where policy translates into practice (micro-level action).

A third theme is the need for multi-sectoral linkages to assist in determining, interpreting and responding to the various complexities inherent to development. There is need for a ‘sideways’ link to other NGOs as well as to other sectors that could contribute significantly to NGO work.

A diagrammatic representation is presented in Figure 3.3 to demonstrate these linkages.



Adapted from Kiraka & Manning, 2002:77

Figure 3.3. Vital NGDO linkages

Figure 3.3 represents a complex set of relationships and expectations placed on NGOs. Will they be able to handle the changes called for by the global environment in which they are operating, while participating in global policy issues and debates? Will they be able to adequately translate policies into practice to respond to stakeholder requirements and expectations? What forms of relationships are likely to be developed with other NGOs and other sectors?

In conclusion, Edwards, M. et al. (1999) and Pearce (2000) raise a fundamental question that forms that basis of this study, and that ought to be addressed to assist NGOs to respond to the complexities of development.

- *How* will NGOs need to organise themselves so as to respond the numerous challenges and expectations placed upon them, and do so in ways that promote their international development role? This question seeks to point to specific practical ways of responding to the questions and challenges identified.

In responding to this question, the present study examines *how* NGOs currently organise themselves and their activities, as well as the factors that contribute to the different strategies, practices and processes adopted by different NGOs. On the basis of the findings, discussions and implications can then be drawn on how they need to position themselves in the future.

It is unlikely, even unnecessary that NGOs will have a single response to this question. They are unlikely to agree on the details of how each of these linkages is affecting them, or on how to tackle the challenges they face. However, it is reasonable to expect that they would have some common values—cooperation, respect for human rights, democratic process, sustainable development and poverty alleviation (Edwards, M. et al. 1999:133-134). Through these common values, common trends and practices of management can be identified to serve as a guide to the implementation of good development management practices for NGOs.

CHAPTER FOUR

THE OVERSEAS AID SECTOR IN AUSTRALIA

4.1 Introduction

The primary motivation for providing aid is founded on the humanitarian desire to help the disadvantaged communities in society. This also reflects Australia's national interest in the stable and equitable development of poorer nations of the world. Although it must accommodate emergency relief, the aid program is essentially about sustainable long-term development, not welfare (Simons, Hart and Walsh 1997:11).

The official Australian aid program, valued at over \$1 billion a year is administered predominantly by the Australian Agency for International Development (AusAID). Aid is channelled through bilateral and multilateral programs in a number of forms, including project aid, student scholarships, food aid, emergency relief, contributions to international development agencies and funding for non-governmental development organisations (NGDOs). Australia's aid program is centred on the Asia-Pacific region, although aid is provided to a number of countries outside this region, primarily in South Asia and Africa (Simons et al. 1997:11).

This chapter reviews the overseas aid sector Australia in general, and outlines the role of Australian NGDOs in it.

4.2 Rationale for Australia's Development Assistance

In Australia, many global problems present a significant risk, to which it is especially vulnerable given its long coastline, sparse population and dependence on primary production. Problems such as environmental impacts, new human health epidemics, narcotics, plant and animal diseases pose

increasing threats. It is in the interest of Australia to establish well-targeted development assistance programs to help in addressing such threats. It is also in Australia's broad national interest to be recognised as a good international citizen and credible player on the world stage, and to be appreciated as a significant contributor to key international development policy debates (Simons et al. 1997:32).

Additionally, Australia is one of only a few developed countries to be located in a region of developing countries. This fact highlights the links between the development of Australia's neighbours and its own prosperity and security. Economic, social and political development in the region have benefits for Australia both in the short- and longer-term. Amongst other things, it increases trade benefits for Australia and also diminishes the risk of conflict in which Australia could become embroiled and the associated risk of large-scale refugee movements (DAC 1996; Simons et al. 1997).

It is therefore fair to say that although overseas aid is principally humanitarian, its motivation is not wholly altruistic. Fostering greater regional and world security is in Australia's strategic and commercial interests (Simons et al. 1997:33).

Australia's fivefold rationale for assisting developing countries is therefore that:

- Australia is situated in a region where 75 per cent of the world's poorest people live;
- Australian aid contributes to global and regional stability by reducing the growing gap between the rich and the poor, combating environmental degradation and the spread of transmissible diseases;
- Australian aid is the right thing to do. Most Australians believe that Australia has a moral obligation to help the developing world;
- Aid has a proven record of success. In thirty years, child death rates have been halved, and average life expectancy has increased from 46 to 62 years;

- Australian aid is an investment in Australia's economic, environmental and political security. Helping to create healthy, educated, working communities in the region is an investment in potential markets for Australian goods (ACFOA 1998).

4.3 Objective of the Aid Program

In order to improve clarity on the objective of overseas aid in Australia, Foreign Affairs Minister Alexander Downer commissioned an independent Committee to conduct a review of the Australian overseas aid program in 1996. The Committee dubbed the *Simons Review Committee* made recommendations on the aid program, following which the Australian Government has determined the objective of the Australian overseas aid program to be:

“To advance Australia's national interest by assisting developing countries to reduce poverty and achieve sustainable development” (Downer 1997).

In addition to the objective, six key principles underpin Australia's aid program. First is a focus on partnerships. Developing and maintaining partnerships with developing countries aims to guarantee that the program remains focused on meeting the priority needs of partner countries. Strategic partnerships with other key development players further enhance Australia's program. Second, a responsiveness to urgent needs and development trends – providing rapid relief to victims of disasters and taking account of changing needs of developing countries. Third, a focus on practical approaches that is, being realistic as to what can and cannot be achieved (Downer 1997).

Fourth is the need for greater targeting. Greater definition and targeting is essential, as the program cannot reasonably serve all in need. This calls for setting clear priorities and assessing efforts against those priorities. Fifth, is the need to maintain an Australian identity. The aid program ought to be identifiable

as Australian, reflecting its values. Finally, is having a visionary outward perspective, being open to new ideas and approaches, and working to enhance the aid program (Downer 1997).

Within this broad objective and principles, Australian-based Non-governmental development organisations serve as convenient channels for official assistance, working together with the AusAID to delivery Australia's aid. NGDOs make broad contributions to the development process. This includes representing community views on aid policy and program issues, their contribution to the development of civil society and their ability to mobilise voluntary community contributions (Simons et al. 1997:261).

Australian NGDOs form part of the larger overseas aid program of Australia. The overall program objectives and principles provide a context and direction for Australian NGDOs. The rest of this chapter reviews the cooperation between AusAID and NGDOs, and more broadly, the role and challenges of Australian NGDOs in international development.

4.4 *The Australian NGDO Community*

In 1995 there were about 120 non-governmental development organisations in Australia involved in raising funds to provide relief and assistance in developing countries (Industry Commission 1995a:143). In 2000, there were about 100 NGDOs providing significant assistance to developing countries and another 20 whose contribution was considered marginal or insignificant (ACFOA 2000f). The Industry Commission (1995) notes that while more agencies have been formed, others have closed down, thus the total number has remained largely unchanged. One striking aspect of the Australian NGDO community is its extreme diversity. NGDOs vary in size, scope, age, the kind of work they do and where, the kind of support they raise and from whom, and the way they deliver development assistance (McLeod 1991:76).

Although it is diverse, the NGDO sector seems to be characterised by a few very large and many small organisations. The Australian public therefore tends to associate overseas aid with a few agencies – approximately twelve, with majority remaining largely unknown (Industry Commission 1995a). Indeed, an ACFOA survey of NGDOs in 1999 showed that one agency World Vision raised more from public sources than 97 smaller agencies combined (ACFOA 2000a:14).

The NGDO sector also has a strong relationship with the Federal Government through the Australian Agency for International Development (AusAID). The government channels some types of overseas aid through NGDOs because it considers that they can best deliver that aid. This is particularly so in countries where the Australian government cannot, or does not, maintain official or diplomatic links (Industry Commission, 1995a:143).

4.4.1 Overview of Scope, Size and Trends

A survey of 109 Australian NGDOs by the Australian Council for Overseas Aid (ACFOA) in 1999 provided the following figures on the scope and size of the sector.

- \$264.6 million was raised by NGDOs from the Australian community;
- \$80.5million was received by NGDOs from AusAID, a decrease of \$7.1 million (8 per cent) over 1998. This figure represented 5.3 per cent of the total Australian aid program (\$1.5 billion);
- \$67.7million was received by Australian NGDOs from international sources including UN agencies, and development banks;
- 1,309 full time and part time staff were employed by NGDOs, an 8 per cent increase over 1998;
- 68,705 Australians contributed their volunteer skills and time to NGDOs in Australia;

- More than 2 million Australians gave their financial support to NGDOs in 1999, including 1.1 million who provided regular donations to overseas aid and development programs (ACFOA 2000a:13).

By the same token, the NGDOs surveyed by ACFOA showed:

- \$290.3 million was disbursed to overseas aid and development activities and to direct project costs – an increase of 11 per cent over 1998;
- More than 2,668 separate projects were supported by NGDOs in 128 countries;
- 2,347 Australians were employed overseas or placed as volunteers by NGDOs in 46 countries, a decrease of 17 per cent over 1998 (ACFOA 2000a:15).

These figures give a broad overview of the scope, size and trend of the NGDO sector in Australia. While in themselves they may appear to be a significant contribution, when viewed against the investments required (and occurring) in developing countries, it is but a modest contribution. In 1999-2000 for example, while Australia's total official development assistance was at \$1,651 million, NGDOs contribution (that is, excluding funding from AusAID) was \$ 210 million (ACFOA 2000a; AusAID 2000b), or 11 per cent of the total financial contribution to developing countries. While this AusAID to NGDO contribution ratio has increased since the early 1990s when it was just 4 per cent (McLeod 1991), it is still a modest contribution compared to the growing needs and requests for assistance presented each year that NGDOs are unable to respond to. The intense disparity between what NGDOs would like to achieve, and the resources at their disposal, dictate that they must make hard choices as to the best use of those resources.

Viewed in the wider international development cooperation context, NGDO flows appear even smaller. In 1998, net long-term capital flows to developing countries from 20 OECD countries was US\$ 275 billion, of which US\$ 227.1 billion was private capital. This was an increase from US\$ 43.9 billion in 1990. On the other hand, the Official Finance for Development – that includes

concessional grants and loans, concessional bilateral and multilateral assistance, and non-concessional bilateral and multilateral assistance was at US\$ 47.9 billion in 1998, dropping from 56.9 in 1990 (Campodónico 2000:7-8). In this context, NGDOs worldwide have generally continued to account for no more than 4-5 per cent of capital flows, although there have been significant variations over the years (OECD 1995).

Consequently, Fowler (1997:18) concurs with McLeod's (1991) argument that when it comes to investment in development in financial terms, NGDOs are and will probably continue to be minor players. This calls for a revised response to reflect their humility in what they can reasonably achieve, and a change in focus from poverty alleviation through direct projects, to gaining leverage on larger forces that contribute to poverty.

4.4.2 Institutional Arrangements

There are important institutional arrangements that determine or influence the functions and operations of Australian NGDOs. These arrangements constitute the Committee for Development Cooperation (CDC) and the Australian Council for Overseas Aid (ACFOA).

4.4.2.1 Committee for Development Cooperation (CDC)

The CDC is a joint AusAID/NGDO advisory and consultative body made up of twelve members, six each from the NGDO community and from AusAID. While the CDC provides input into NGDO policy matters, it does not make decisions on such matters. These are taken by the Government, usually through a delegate within AusAID (AusAID 2000a).

The functions performed by the CDC relate to accreditation, development of standard scheme policy and documentation, and the operation of the AusAID-NGO Cooperation Program (ANCP) (AusAID 2000a).

For accreditation, the five most common functions are: advising on policy issues on the accreditation of Australian NGDOs; advising on criteria against which NGDOs are assessed; advising on procedures for assessing NGDOs; conducting organisation reviews of NGDOs; and assessing NGDOs for accreditation (AusAID 2000a).

For standard scheme documentation the most common function is advising on formats for applications, budgets and reporting (AusAID 2000a).

For the operation of the ANCP the most common functions are: advising on policy affecting the ANCP; recommending rules and procedures for the ANCP; advising on annual Indicative Planning Figures² (IPFs); and assisting with the appraisal of development activities submitted for funding (AusAID 2000a).

4.4.2.2 Australian Council for Overseas Aid (ACFOA)

The Australian Council for Overseas Aid (ACFOA) is a not for profit association of Australian NGDOs concerned primarily with cooperation in relief and international development with a view to promoting sustainable development and the eradication of poverty in developing countries (ACFOA 2000b:1).

Established in 1965, ACFOA aims to respond to the urgent and expanding needs of people in many parts of the world for promotion and protection of human rights, and to provide a vehicle through which Australian NGDOs can contribute to development by sharing Australian resources and strengthening civil society. Through ACFOA, NGDOs are also able to relate to the Australian government more easily (ACFOA 2000 b:1).

The common objectives of all the members of ACFOA are to work on social and economic justice, respond appropriately to human needs, and promote conditions for sustainable development and the relief and eradication of poverty (ACFOA 2000b:1).

² Indicative Planning Figure (IPF) is the upper limit of funds that an NGDO may access through the ANCP in one financial year.

Not all NGDOs are members of ACFOA. As at June 2001 there were 94 ACFOA members (ACFOA 2001a). To be members of ACFOA, NGDOs are expected to meet the following eligibility criteria. They should be Australian, voluntary, not-for-profit organisations, involved in activities in the fields of cooperation in international relief and development, development assistance, development education and/or related services in Australia that, are consistent with and supportive of the objectives of ACFOA. On becoming members, NGDOs must become signatories to the ACFOA Code of Conduct (ACFOA 2001b).

Those that do not wish to be members of ACFOA may also be associated with it by becoming signatories to the ACFOA Code of Conduct. For an organisation to become a signatory to the ACFOA Code of Conduct it must be an Australian, voluntary, not-for-profit organisation (ACFOA 2001b). As at March 2001, there were 31 agencies that were signatories to the Code, but not members of ACFOA (ACFOA 2001c).

The ACFOA Code of Conduct is based on the principles of industry self-regulation. It defines standards of governance, management, financial control and reporting with which NGDOs should comply and identifies mechanisms to ensure accountability in NGDO use of public monies (ACFOA 2000c:4).

4.4.3 Sources of Support for Australian NGDOs

From the overview of their scope and size, it is evident that NGDOs receive support from three main sources: the Australian public, the Australian government and international agencies. Figure 4.1 below shows the contribution made by each of these main funding sources to NGDOs in 1999, according to the ACFOA survey of 109 NGDOs.

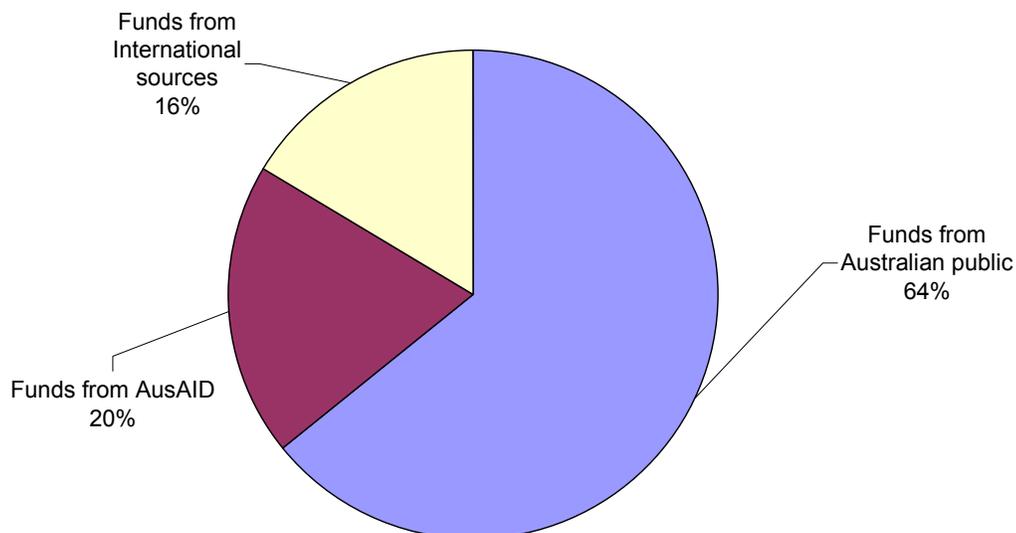


Figure 4.1. NGDO funding sources

Data source: ACFOA 2000a:13

The corporate sector is also becoming increasingly involved in overseas aid (Downer 1999:11). The next section reviews how each of these sources support Australian NGDOs.

4.4.3.1 The Australian Community

The Australian community supports overseas aid agencies in a variety of ways, providing financial support and volunteering time and expertise to numerous NGDO activities, both in Australia and overseas.

In 1999 \$264.6 million was raised by NGDOs from the Australian community, an increase of \$48.5 million (22 per cent) over 1998 (ACFOA 2000a:13). Figure 4.2 below shows the trends in Australian community support of NGDOs.

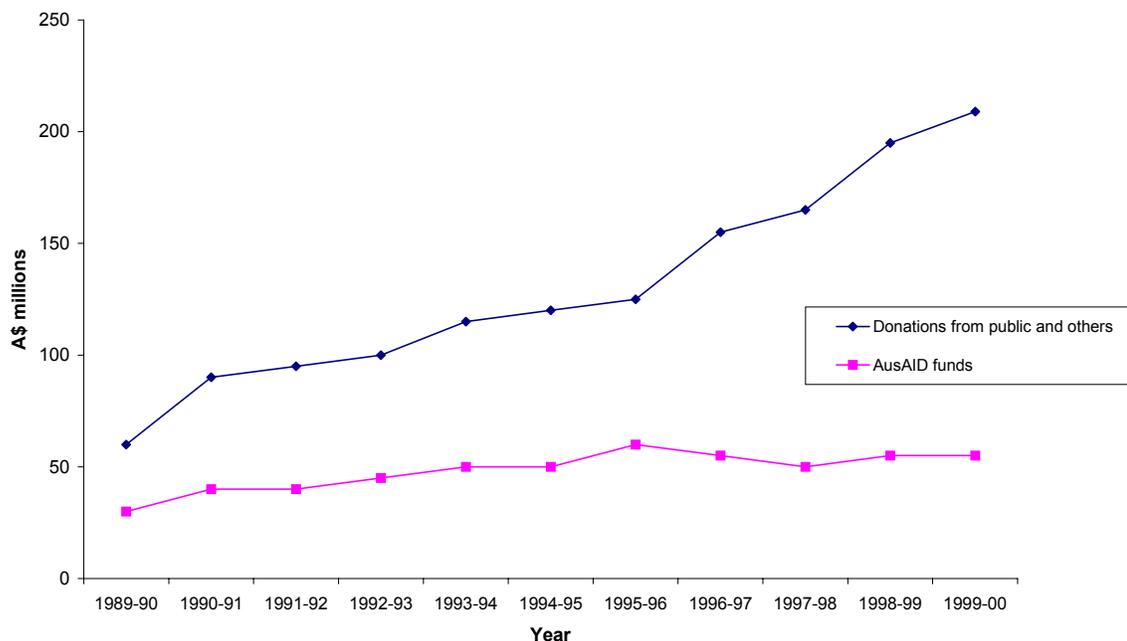


Figure 4.2. Trends in the funding to NGOs

Source: Adapted from AFCOA 2000a:15

Over the last ten years, support for overseas aid from the Australian community has continued to increase, more so in the last five years. Their support is further evidenced by the AusAID/ACFOA Australian public opinion survey conducted in 1998 that showed that 84 per cent of respondents supported overseas aid.

4.4.3.2 The Australian Government

Non-Government Development Organisations form an important part of Australia's aid program. As such, the Australian government supports and funds NGDO work as an acknowledgement of their significant contribution (AusAID 2000b). However, as seen from Figure 4.2, the total financial flows from the Australian Government to NGDOs have remained relatively static over the past ten years.

According to Simons et al. (1997:266) NGDOs have a special role to play in the Australian official aid program because of their special characteristics. First, NGDOs are an expression of community interest in overseas development and

bring to their cooperation with AusAID considerable public support and voluntary contributions. Second, as community organisations, NGDOs have a unique part to play in representing community views on the direction and management of the official aid program and in promoting community awareness about development issues.

Third, their independent, non-governmental status means they are able to make an important contribution to the growth of civil society in recipient countries, particularly in building the capacities of indigenous NGDOs. Fourth, NGDOs often have long-established working partnerships with community groups in recipient countries, which enables AusAID to support small scale community level activities, and engender long term commitment by recipient communities to such projects. Fifth, as independent development organisations they can act as conduits for the provision of assistance in areas where direct government-to-government assistance may be difficult or inappropriate.

NGDOs also often have greater flexibility in their operations, and are a major source of innovation on development cooperation programs. They also have special skills in areas such as participatory approaches to development, micro-enterprise development, appropriate technology, and capacity building for community groups (Simons et al. 1997:266).

For these reasons NGDOs can and do make a valuable contribution to the official aid program, making the AusAID-NGDO cooperation effective in achieving quality aid outcomes and extending the aid program to the communities with which NGDOs work (Downer 1999: 5).

In addition to direct financial support to NGDOs, the Australian government supports the work of NGDOs by providing tax deductibility status to NGDOs for gifts towards development work, thereby encouraging supporters to continue making contributions, and by providing income tax exemptions (AusAID 2000a).

The role of NGOs in the aid program is twofold:

Delivering Australian aid: NGOs have expertise and experience in a range of development activities and sectors. They also use their strong links in developing countries to effectively engage local communities in development activities. The Australian Government recognises that these situations make practical contribution to quality aid outcomes (Downer 1999:7).

Policy dialogue: A key mechanism for dialogue is the Committee for Development Cooperation (CDC) which is a joint consultative body with representatives from AusAID, NGOs and ACFOA. The CDC debates on policy issues relating to NGO accreditation and operations of NGO programs. Additionally, NGOs with specialist expertise and experience in specific countries and sectors act as consultants advising the government on its aid program. NGOs are also represented in the Minister for Foreign Affairs' Aid Advisory Council. The Council discusses key policy issues (Downer 1999:7).

Financial support provided by AusAID

Accredited Australian NGOs can obtain funding from the AusAID through various schemes – the AusAID NGO Cooperation Program (ANCP), AusAID NGO Country and Regional Program Windows, and the Humanitarian Relief Programs.

Before discussing how these funding arrangements operate, a brief overview of the accreditation process is warranted.

The Accreditation Process

The accreditation process aims to provide AusAID and the Australian public with confidence that the Australian Government is funding professional, well managed, community based organisations, that are capable of delivering quality development outcomes. Accreditation acts as a front-end risk management

process and ensures accountable use of funding with minimal activity overview by AusAID (AusAID 2000a:9).

Accreditation is an assessment of an NGDO's capacity to appraise, manage, report on, and be accountable for developmental activities, competently and independently (AusAID 2000a). There are two levels of accreditation – base and full accreditation. The differences between the two accreditation levels relate to the number of indicators against which assessment is made, with full accreditation having more indicators with regard to development experience and philosophies, linkage with the Australian community, and management and financial systems (AusAID 2000a:139).

There are two components to the accreditation process. The first is an Organisation Review Process that assesses the NGDO's management capacity, structure, systems, operations, philosophies and linkages with the Australian community. The second is a Financial System Assessment (FSA), which assesses the NGDO's ability to comply with the Umbrella Contract – that is the legal document that sets out the relationship between an accredited NGDO and AusAID (AusAID 2000a:11).

The Organisation Review Process is an important tool for both NGDOs and AusAID as it enables the Committee for Development Cooperation (CDC) to make recommendations on accreditation and serves as a learning tool for NGDOs. It also provides the CDC and AusAID with a better understanding of many aspects of NGDO operations, including those not related to AusAID funding, and assists AusAID to assess the risk associated with providing grants to NGDOs (AusAID 2000a:11).

For NGDOs seeking only base accreditation, the Organisation Review Process consists of two stages – Desk Assessment (DA) and an Organisation Review in Australia (ORA). The Desk Assessment reviews an NGDO's operations, systems and capacities. The ORA provides an opportunity for discussion between the NGDO and the review team, and also reviews the NGDO profile,

files, records and other documents including project documents held by both the NGDO and AusAID (AusAID 2000a:14-15).

NGDOs applying for full accreditation must meet all the criteria for base accreditation as well as additional criteria specific to full accreditation. They must also complete a third stage of the Organisation Review Process – an Organisation Review Overseas (ORO). The ORO involves in-country review including a review of relevant records held by an NGDO's partner organisations in overseas countries, and discussions as appropriate with other donors, recipient government, management and staff of partner organisations, and the Australian Embassy or High Commission (AusAID 2000a:15).

The Financial Systems Assessment (FSA) is submitted to AusAID every five years by an NGDO. The assessment is conducted by the external auditors of the NGDO (AusAID 2000a:17).

Other accreditation criteria include being a signatory to the ACFOA Code of Conduct (for all NGDOs), and adhering to the principles of the International Red Cross and Red Crescent Movement Code of Conduct (for NGDOs interested in accessing funds for humanitarian relief work).

Aid agencies must reapply for re-accreditation every five years (AusAID 2000a). To maintain current accreditation, an aid agency must submit to AusAID its annual report and audited financial statement within five months of the end of the agency's financial year. It must also draw funds from AusAID at least every second financial year (AusAID 2000a:139).

Since the reformation of funding mechanisms in November 1997 to include this more rigorous accreditation process, the number of accredited NGDOs has decreased. Accredited NGDOs dropped from 93 in November 1997, to 68 in July 1998 (Australian National Audit Office [ANAO] 1998:28). In 2001, there were 53 accredited NGDOs, with 20 having the base accreditation status and 33 having the full accreditation status (although 3 of these had provisional accreditation status) (AusAID 2001b).

AusAID staff have expressed concern on the accreditation arrangements which appear to have a strong emphasis on the NGDO's capacity to manage and report on aid activities, and insufficient emphasis on the achievement of activity outcomes. The ANAO recommends that the accreditation arrangements give due consideration to an NGDO's success in achieving activity outcomes – a recommendation that AusAID plans to take on board in future revisions to the process (ANAO 1998:31-32).

The AusAID Funding Schemes

The implication of the two levels of accreditation becomes apparent when accessing funding through the AusAID schemes. These differences are presented in Table 4.1 below.

Table 4.1 Funding available to aid agencies as determined by the accreditation level

Scheme	Base Accreditation Funding Eligibility	Full Accreditation Funding Eligibility
AusAID NGO Cooperation Program (ANCP)	Limit set by annual Indicative Planning Figure (IPF), currently \$50,000 maximum per NGDO per annum. Minimum of \$5,000 per activity per year.	Limit set by annual Indicative Planning Figure (IPF). No maximum or minimum on activities.
Country and Regional Windows	\$30,000 minimum per activity per annum \$100,000 maximum per activity per annum	\$ 30,000 minimum per activity per annum. No maximum.
Humanitarian Relief Program Relief and Rehabilitation	Not eligible	\$150,000 minimum per activity per annum. No maximum.
Humanitarian Relief Program Rapid Response Assistance	\$30,000 minimum per activity per annum \$100,000 maximum per activity per annum	\$ 30,000 minimum per activity per annum. No maximum.

Source: AusAID 2000a:10.

As the current study has a focus on long-term development activities (as opposed to humanitarian relief activities), the last two schemes will not be discussed. A brief description of the first two schemes is presented.

AusAID NGO Cooperation Program (ANCP): The ANCP is a matching grant scheme, designed to supplement rather than replace NGDO fundraising activities. Funding is provided to base accredited NGDOs on a 1:1 matching basis, that is, for every dollar contributed by the NGDO to an activity, the ANCP contributes one dollar, up to the Indicative Planning Figure (IPF). For full accredited NGDOs, funding is provided on a 3:1 matching basis, that is three dollars of the ANCP for every dollar contributed by the NGDO, up to the IPF (AusAID 2000a).

Base accredited agencies are funded for projects, while full accredited ones are funded for annual development plans (APD). For purposes of funding, projects are defined as sets of activities with identifiable objectives, outputs, time frames and implementation plans. Projects may be funded on a single year or multi-year basis with a maximum time frame of three years (AusAID 2000a:88). Continued funding for multi-year projects is dependent upon the ANCP budget allocation, and on satisfactory progress and timely reporting (AusAID 2000a:88).

The ADP to be submitted by a full accredited NGDO is an annual plan of development activities – that is, one or more projects and/or programs. The ADP provides AusAID with performance information on progress of ANCP funded activities while giving NGDOs considerable flexibility to manage the implementation and funding of their portfolio on ANCP supported activities (AusAID 2000a:92).

For all NGDOs, unused ANCP allocations cannot be carried over to the next year. They are redistributed by AusAID to ensure the maximum amount of ANCP funding is reasonably used for development activities by the end of the financial year (AusAID 2000a).

Country and Regional Windows: Sometimes funding may be available for NGDO projects on a country or regional basis. Such funding, unlike the ANCP, is provided through a competitive panel selection process (AusAID 2000a:103).

4.4.3.3 International agencies

In 1999 Australian NGDOs raised \$67.7million from international sources including the UN agencies and development banks, an increase of \$15.8 million (or 23 per cent) over 1998 (ACFOA 2000a:13).

Fowler (1997:137) notes that the sourcing of funds from multilateral agencies is not without its challenges. Basic pre-conditions for collaboration between NGDOs and UN agencies, for example, need to be constructed, as they do not exist. These include processes in decision-making, motivations, incentives, reward systems, organisational performance measures, and theories, beliefs and policies about development. Dealing with these differences and establishing some practical inter-organisational working relationships requires an investment in time and energy by NGDOs, which many may lack.

However, as shown in Figure 4.1, Australian NGDOs sourced 16 per cent of their funding from international agencies in 1999. Thus, those agencies for whom these sources represent a significant part of their income may choose to continue mobilising resources this way, while others may increasingly adopt this method. Caution, however, needs to be exercised to avoid being coopted into multilateral agencies' policies, strategies and systems that may threaten the autonomy and identity of NGDOs, making them a little more than an extension of the multilateral agencies (ACFOA 2000a).

4.4.3.4 Corporations

Private corporations have in recent years become increasingly involved in overseas aid. Their roles vary, as they are both providers of goods and services as part of the aid program, and donors to Australian NGDOs. Corporations have

also begun to work collaboratively with NGOs, especially in cases where they may have common interests. Micro-enterprise development and health services are particularly significant sectors in this regard. There is recognition of the distinct, often complementary skills of NGOs and corporations, which when combined may result in improved development outcomes (Downer 1999:11).

4.5 Key Issues for the Australian NGO Sector

In spite of what appears to be a well developed, organised and managed NGO sector, Australian organisations continue to face multiple challenges that affect their functioning and performance. Among these are: fundraising difficulties caused by inconsistency in State regulations, accountability to donors and government, and a high level of government funding for directive programs compared to development work. Others relate to establishing performance measures and developing quality systems of service delivery. Lastly, they are also faced with the challenge of developing and maintaining capabilities in four dimensions (ACFOA 2000d; AusAID 2000b; Industry Commission 1995a; Simons et al. 1997).

First, they need to strengthen their capabilities to carry out functions according to their missions. Second they need to strengthen their capacity to mobilise and use a mix of resources and account appropriately to the various donors. Third, they need to establish well-defined relationships with government and other multilateral agencies so that they remain reasonably autonomous and distinct, while benefiting from these institutions. Fourth, they need to collaborate with each other and with other development assistance agencies for effective service delivery (Industry Commission 1995; ACFOA 1998; 1999; 2000d; AusAID 2000b).

The following paragraphs discuss in detail some of the major capability challenges facing the Australian NGO sector.

4.5.1 Governance and Management

Hudson (1999:22) notes that a distinguishing management feature of NGDOs is the weak link between providers of funds and service users. The consequence is that it is easy to have vague objectives, impact is hard to measure, management structures are intricate, and the bottom line is not well defined. The management challenge presented by these circumstances is being manifested in Australian NGDOs in various ways.

Governance and good management: Within AusAID there have been a series of substantial changes aimed at improving the quality of the aid program. These include changes in organisational structure, the development of field operating manuals, guidelines and training packages to up-grade staff capacity, and a deliberate move towards a results-based management culture. Key result areas have also been defined relating to the five priority sectors – health, education, agriculture and rural development, infrastructure and effective governance of developing countries' social and economic resources (DAC 2000).

Similarly, AusAID has extended these governance issues to its cooperation with NGDOs. To receive funding from AusAID for example, Australian NGDOs must adhere to the ACFOA Code of Conduct, demonstrate continued support from the Australian community – as indicated by public donations of at least \$30,000 annually, and maintain their accreditation with AusAID. These measures are aimed at promoting NGDO standards of governance, management, financial control, reporting, delivery of services and support from the Australian public (DAC 2000).

While the good governance measures that have been put in place have contributed to reduced regulatory inspection to ensure compliance with requirements, and constant monitoring by various levels of government, the resources required to ensure compliance have resulted in some NGDOs being unable to maintain accreditation. As noted previously, the number of accredited NGDOs has declined since 1997, begging the question by some segments of

the sector as to the appropriateness of some of the requirements, and the extensive use of resources for this function (ANAO 1998).

Evaluation and Performance: Together with the governance and management issues, there have been increasing questions, especially in the lack of documented evidence, as to the capabilities of NGDOs to deliver development assistance. As such, NGDOs have been the subject of increasing criticism from scholars and practitioners with growing pressure to prove the claims made by them and others (Adair 1999; Fowler 2000; Holloway 1998).

Various forms of evaluation are essential to comprehend the extent to which NGDO claimed capabilities are realised. In their cooperation with AusAID, NGDOs have numerous indicators to assess performance in the various funding schemes. A proportion of funding provided for an activity (no more than five per cent) may be used on evaluation activities, where the project cost is over \$100,000 (AusAID 2000a). However, these evaluation activities have focused heavily on outputs and outcomes, and not given nearly enough attention to impact assessments. A need to look into the long-term effect of development work is essential, as is suggested by the NGDOs preferred term “long-term” development assistance (Kruse et al. 1997).

Simons et al. (1997:268) further suggest that AusAID also conduct thematic studies into NGDO capabilities, while encouraging NGDOs to undertake more frequent independent assessments of their own performance on both organisational aspects and project activities.

The Australian aid sector is gradually moving from using project evaluations as their prime vehicle for providing feedback to a focus on assisted self-evaluation of policy and capabilities to guide adjustments during all the project cycle. Self-evaluation requires expert guidance and sufficient time and resources to ensure that the system works and is used consistently in decision-making (DAC 2000).

4.5.2 Fundraising

The predominant resource transfer role to developing countries (Sogge 1996; Fowler 1997; Streeten 1997) makes fundraising one of the more important functions of NGDOs. Three challenges have been identified in this regard – their financial independence, professional and ethical fundraising, and the difficulty and cost in adhering to fundraising regulations across States and Territories.

Financial independence: For the more than 90 NGDOs that are members of ACFOA, the proportion of their overseas aid funds derived from AusAID rose from 30 per cent in 1990 to 49 per cent in 1995 (Simons et al. 1997). While this has decreased to about 20 per cent according to the 1999 ACFOA NGDO survey (ACFOA 2000a), it has prompted concern about the reliance of NGDOs on government funds, and whether this reliance is having any impact on the independence of NGDOs in a broader sense (Simons et al. 1997:272). According to ACFOA (1997) though,

“There is no evidence to suggest that NGOs as organisations are becoming increasingly dependent on AusAID nor that they are in danger of losing their identity as NGOs. NGOs have maintained their critical tension with the Australian Government despite the increase in Government funding” (cited in Simons et al. 1997:272).

However, Simons et al. (1997) note that while there may be no evidence to suggest a threat to independence, there still exists the potential risks to autonomy and to the NGDOs’ ability to represent community views on official aid. However, these risks can be resisted by maintaining strong governing bodies and a firm commitment to values.

Professional and ethical fundraising: Coupled with the issue of financial independence, is the question of ethics and professionalism in fundraising. A fundamental problem for the sector is that the resource base on which it operates is too small to enable it to deliver the services communities need. Most

NGDOs receive funding from two sources – public donations and Federal government. Some also receive revenue from international agencies such as UN agencies and the World Bank. This resource base is insufficient to meet the growing needs of NGDOs and target beneficiaries (ACFOA 2000a).

The result has been widespread and severe competition within the sector to raise funds resulting in NGDOs adopting some fundraising techniques to attract high levels of public support, such as media advertising. This competition is heightened by the fact that the overseas aid sector is competing for resources with Community Social Welfare Organisations (CSWOs) and other private sector organisations whose operations are targeted to the Australia community. In a sense therefore, there is competition and a choice between giving resources for overseas versus domestic service provision (Industry Commission 1995a, 1995b).

The Industry Commission – Australia (1995a:238), raises concern that these fundraising techniques seem to contribute to increased fundraising costs, and redistribution of donations within the sector, rather than any real growth in financial support for the sector as a whole. Public nuisance resulting from too many fundraising appeals may even reduce donor contributions. The Commission suggests that fundraising efficiency of the sector may be improved by controlling competition for the donor dollar. This may be done by limiting participation or entry to certain fundraising activities, and encouraging cooperation through a combined approach to fundraising.

NGDOs have been particularly innovative in finding ways to raise support, by launching campaigns that people can identify with, and contribute to each year. The 'Walk Against Want' by Community Aid Abroad, and '40-hour Famine' by World Vision have been praised as some examples of professional and innovative fundraising campaigns. These campaigns not only involve donors personally, but to also raise resources without being a public nuisance, both characteristics resulting in increased giving (Industry Commission 1995a).

Ethical questions have also been raised with regard to hard-hitting images used in fundraising campaigns to demonstrate desperation, starvation and death. Hudson (1999:122) refers to this as the fundraising dilemma – the hard-hitting campaigns might on the one hand raise more money, but on the other might increase a sense of incapacitation and dependency in target communities, thereby having long-term negative effects on development work. Advancing fundraising campaigns to address root causes of poverty – inequality, poor governance and policies, political and economic instability – has a much deeper fundraising effect than simply addressing the manifestation of poverty – the starved and diseased children. That is the challenge for NGOs.

Commercial activities, another source of funds, are a rapidly expanding phenomenon in the sector as well. NGOs establish commercial businesses to raise funds for their development assistance activities. These undertakings often compete directly with for-profit entities, which raises issues of competitive neutrality in that these NGO enterprises may enjoy taxation advantages (Industry Commission 1995a:149).

Divergent regulations across the States and Territories: While the Industry Commission (1995a) has suggested cooperation between NGOs in their fundraising ventures, NGOs are regulated by incorporation requirements and State/Territory fundraising legislation. Most of them have a national charter, and are disadvantaged by interstate disparities and outmoded legislation. World Vision Australia estimates that its compliance costs for State fundraising legislation are at least \$1 million a year (Industry Commission 1995a:161-62). Amnesty International Australia stated:

A major problem for Amnesty International Australia (AIA) is the inability to run an Australia wide fundraising raffle...[on] advice from one of our major legal firms and it is clear that although AIA has a presence in all the State capitals and Canberra, State laws prevent a combined raffle (Industry Commission 1995a:162).

Inconsistencies between States/Territories in matters such as reporting and record keeping requirements and limitations on authorisations to raise funds hinder the efficiency of Australia-wide fundraising by national NGDOs. The Industry Commission (1995b:26) recommends that the Council of Australian Governments (COAGs) consider approaches to achieving greater efficiency and effectiveness in fundraising regulation among States/Territories. Two suggested approaches are the uniformity of legislation, and/or the mutual recognition of legislation.

4.5.3 Delivery of Development Assistance

Overall strategies are required by aid agencies to ensure that their delivery of development assistance is consistent with their mission statements and that they provide the intended benefits to target groups. In this regard, questions about the effectiveness and quality of assistance, as well as the sustainability of project benefits have been of concern.

Quality of development assistance: AusAID defines quality of assistance as a demonstrable contribution to economically sound, socially equitable and environmentally sustainable growth. In addition, responsiveness, participation, consultation and partnership with target groups are important in design and delivery of aid programs, as are accountability, flexibility and efficiency (AusAID 2001a).

From the perspective of individual donors supporting Australian NGDOs, the quality of assistance is represented by the potential and reasonable expectation that donations and contributions will be used to address the needs of the poor and provide a sustainable benefit. Quality elements tend to lean towards empathy and responsiveness. ACFOA notes that the quality of overseas assistance centres on the definitions and measurements of aspects such as accountability, effectiveness and legitimacy of institutions and support, the outcomes of which are crucial for maintaining the continued public support of the Australian aid program (ACFOA 2000d:34).

The concepts of flexibility and responsiveness in funding arrangements are central to quality. While the AusAID definition appears to embrace the concepts of flexibility and responsiveness, there is growing pressure on NGOs by AusAID to ensure funds are expended according to pre-determined project budgets and schedules. This is the case even when there may be a good reason to delay or change the implementation of a project component, where it threatens to undermine the sustainability of the intervention. The question then becomes what flexibility and responsiveness mean for AusAID in practice (ACFOA 2000d).

There is need for NGOs to clarify and define what they see as key dimensions of quality in their programs and projects, and come up with credible indicators and measures to assess those indicators. They also need to negotiate with key stakeholders, especially donors, so that these measures are acceptable to them. Focus should be outcome-based, with an emphasis on flexibility and a stronger commitment to meeting the needs of recipients, as opposed to those of the donor (ACFOA 2000d:35).

On quality, ACFOA (2000d) also suggests that a continual improvement in quality of service delivery is contingent upon reflection and learning by all stakeholders. There is need to develop more open and intentional learning systems where lessons learnt can be incorporated into future interventions and funding mechanisms.

A focus on sustainability: The generic guidelines for NGO schemes require that NGO activities must have a strategy to ensure the development outcomes will be sustainable by the end of the activity. They must also have strategies in place to strengthen counterpart organisations in developing countries so as to enable them to sustain activities after Australian assistance has ceased (AusAID 2000a:228).

Sustainability is defined as the ability of a development activity to deliver substantial benefits for an extended period of time after financial, managerial and technical assistance from a donor ceases. The activity should be

established and conducted in such manner as not to erode the natural resource base and the natural environment in which it takes place. It must also not be dependent on organisational, financial and skills inputs which will not be available when a particular development activity is completed. Another component of sustainability is that the activity should aim to utilise the potential of all sections of a community, including women and the poor (AusAID 2000a:228).

Whereas projects generally aim to achieve a satisfactory level of sustainability, this may not always be possible. Factors that may affect sustainability include government policies in the country in which the activity is being implemented, as well as the management of organisational and local participation in the activity. Other factors could include the financial, technological or socio-cultural factors, including gender, environmental and ecological factors of the community in which the activity is being implemented. Factors external to the activity, such as political instability, economic policies and natural disaster risks may also pose a threat to sustainability (AusAID 2000a:228).

The challenge for NGDOs is to identify the defining criteria for sustainability, and work towards achieving it in the face of these multiple, sometimes conflicting factors and interests.

An interesting point to note here is that in mentioning the factors affecting sustainability, AusAID makes no mention its policies, strategies, development priorities, and/or expectations, nor does it mention the policies and strategies of Australian NGDOs. The assumption made here appears to be that sustainability is affected only by factors within the country/community in which a project is being implemented. This is one area the current study hopes to address. The apparent skewness in perception with regard to success of projects needs to be addressed, and the positive (and negative) contributions of all actors acknowledged.

4.5.4 Advocacy and Development Education

As can be observed from the discussions, NGDOs interact with a variety of actors in governance, management, fundraising, and service delivery. While NGDOs continue with these functions, they also have a responsibility to consider and educate those actors whose actions, conditions and expectations negatively impact on their work as ignoring this function could result in undermining their work.

Advocacy issues in relation to AusAID: NGDOs have taken a responsibility to provide insights and advice into a number of areas relating to the Australian Government's aid policies and activities. First, has been advocacy for increased aid to developing countries. Australian NGDOs acknowledge with concern that the amount of Australia's official aid to developing countries has continued to decline, reaching an all-time low of 0.25 per cent of GNP in 1999-2000 (ACFOA 1999). NGDOs are advocating for a level of at least 0.28 per cent of the GNP (although this is much lower than the UN target of 0.7 per cent of GNP (ACFOA 2000e). In 1998 only four of twenty OECD countries had reached the UN target, with Australia in the eleventh position (Randel, German and Ewing 2000:5).

Second, with regard to a fairer distribution of funds, NGDOs note the apparent contradiction between Australia's 'needs-based' aid policy and the continued assistance to regions that do not represent the world poorest. NGDOs are proposing a funding model that allows Australia to continue supporting East Asia and the Pacific, while allocating growth funds to the poorer regions of South Asia and Africa (Luke 2000:43).

Third, given the recognition of their skills in terms of community-based programmes (Downer 1999; Simons et al. 1997), NGDOs have also been advocating for greater levels of financial support from the Australian Government to their work. Government funding to NGDOs has dropped by 13 per cent in real terms since the Howard Government came into office in 1996 (Luke 2000:43). Only seven per cent of Australia's official development

assistance goes to NGOs, compared with an international average of 10 per cent (ACFOA 2000e:18).

Fourth, has been the concern regarding imposing narrow economic models on the Pacific countries. Luke (2000:43) notes that while improvements in economic governance are necessary for a number of Pacific economies, it is important that the strategies applied are owned by local people, are appropriate to each culture and economy and seek to ameliorate negative transitional effects. NGOs are trying to bring a clearer focus on the significance of these issues.

Fifth, is the need to broaden the debate from aid policies to sustainable development. Aid agencies of governments and non-governmental organisations have focused substantially and rightly so, on aid policy. However, the challenge is to achieve policy coherence to promote sustainable development. It does little to give aid to the poor with one hand, while supporting unproductive expenditure with the other. The challenge for NGOs is to extend their expertise to unexplored, or only partially explored policy areas and to shift the balance of their work from simply funds transfer to advocacy work aimed at linking policy to practice (Wilson 1998:5-6).

Public opinion and development education: A joint AusAID/ACFOA public opinion survey in 1998 found that 84 per cent of Australians supported foreign aid and were motivated by humanitarian concerns, but that support was fragile as understanding of issues was generally weak. Addressing issues relating to the reality of aid and public attitudes to it—development education—is therefore a high priority for NGOs (DAC 2000).

There has been much scepticism and uncertainty among both donors and recipients about the role and influence of aid in helping countries implement policies that foster sustained poverty reduction, growth and sustainable development. Part of the reason for scepticism is that the number of people living in absolute poverty continues to increase in developing countries in spite of development programs. Additionally, while some aid programs have made

remarkable successes in targeting specific problems such as immunisation, agricultural production and population policies, there appears to be no systematic effect on either growth or policy change (Wilson 1998).

While the 1998 AusAID/ACFOA survey showed a high level of support for Australian aid, their level of belief in the effectiveness of aid is considerably lower, with 60 per cent claiming NGOs were effective and 46 per cent for government aid. This doubt in aid effectiveness is consistent with polls conducted in other countries. In spite of high support for aid, there is equally high scepticism as to whether aid actually reaches the intended target groups. This seeming contradiction is as a result of a mixed record of aid effectiveness, the images and information communicated to the public and a poor public understanding of development (Wilson 1998).

Consequently, Australian authorities have been making concerted efforts to educate the public about the aid programme. Activities range from outreach seminars, to providing information about business opportunities available through the aid programme and mobilising NGOs to inform their supporters of the significance of the aid programme (DAC 2000).

But Wilson (1998) notes that the government is not doing nearly enough to address this issue. In fact, according to Wilson, Australia and other governments have dramatically curtailed their support of NGOs for development education work, in spite of the low understanding of development among the public in donor countries. The intangible benefits of development education, coupled with the fact that it is targeted at the public in donor countries as opposed to that in developing countries, makes it particularly difficult to raise resources for. As a result, Australian NGOs are faced with multiple challenges to address this crucial issue of development education.

First, is to present a case for increased support for development education from the Australian government. Second, is to understand and address the factors that contribute to the mixed public attitudes. Third, is to devise effective ways of increasing community understanding of development issues, and of the

connection between the Australian public and international development. Fourth, is to reconcile the messages in their own fundraising campaigns because they too have contributed to confusion. Fifth, there is need to overcome competition and encourage cooperation between themselves in communicating development messages (Wilson 1998:7-8).

These matters need to be urgently addressed because long-term public support of overseas aid and NGDOs is dependent on a well-informed and educated public. NGDOs need that long-term support because as demonstrated in Figure 4.1, they raise most of their support from the public.

4.6 Conclusion

Clearly, the Australian NGDO sector is faced with a wide range of challenges now and in the future. In presenting the findings of the study, discussions will be presented as to how these divergent issues are influencing NGDO work and the mechanisms being established to enhance effective delivery of services and the achievement of program objectives.

The current study in addressing specifically the service delivery processes of NGDOs to developing countries seeks to determine two issues. First to determine which processes are characteristic of NGDOs in meeting their organisational goals, and second, determine how the relationship between organisational processes and the external environment factors impact on development initiatives and outcomes. Key issues and implications for management can then be identified as an initial step towards developing a guide to good management practices for NGDOs.

SECTION TWO: THE SET-UP OF THE STUDY

CHAPTER FIVE: THEORETICAL AND ANALYTICAL FRAMEWORK

CHAPTER SIX: METHODOLOGY

CHAPTER FIVE

THE THEORETICAL AND ANALYTICAL FRAMEWORK

5.1 Introduction

The purpose of the present study is to develop a framework that could guide the implementation of good development management practices in the processes that ensure the effectiveness of NGDOs.

In order to develop such a framework, an examination of existing NGDOs processes is necessary as a prerequisite for determining current practices and identification of divergence and convergence between practices and intended development outcomes, from which propositions are drawn on areas for improvement.

This chapter aims to outline the framework that was used to make such a determination by presenting the variables that were examined and establishing how they were operationalised.

5.2 Significance of the Theoretical Framework

The theoretical framework draws on the discussions presented in Chapters Two and Three to identify critical variables for measurement and analysis. The argument presented in Chapter One is on the significance of a process-based assessment in developing a deeper understanding of the various organisational and environment factors that influence the outcomes of the work of NGDOs. Chapter Two, drawing from previous studies, presented the specific factors relevant to a process-based assessment that are examined in the current study – the external environment (macro environment and external stakeholders), and the internal environment (organisational strategy and structure).

In Chapter Three the relevance of the process-based assessment to NGOs was discussed. Studies showed the relationship between the macro environment and NGO activities and outcomes. The significant role of stakeholders in NGO work was also presented. Evidence showed that these two components have an important relationship with NGOs, and studies also identified areas for improvement that NGOs ought to address in response to the challenges presented by the external environment. The areas for improvement were in respect of NGO roles, capacities, relationships and accountability to stakeholders.

However, the absence of studies determining NGO processes, or discussing how organisations need to change in order to respond to the challenges was noted. This is one knowledge gap on NGOs processes and operations that the current study aims to address, by specifically determining NGO processes, demonstrating the intervening effect of external and internal factors and identifying how changes can be effected to respond to the challenges and improve on outcomes and goal achievement.

The objective of the theoretical framework is respond to these three components by operationalising the variables under study to establish how processes were determined, intervening variables assessed and areas for improvement identified.

5.3 *The Theoretical Framework*

Based on the discussions in Chapters Two and Three, Figure 5.1 below shows the relationships between the variables – the macro environment, external stakeholders, process, strategy and structure. The macro environment and external stakeholders represent the independent variables in the study. They also represent the external factors affecting processes. Process, strategy and structure represent the dependent variables, and also represent the internal organisational environment.

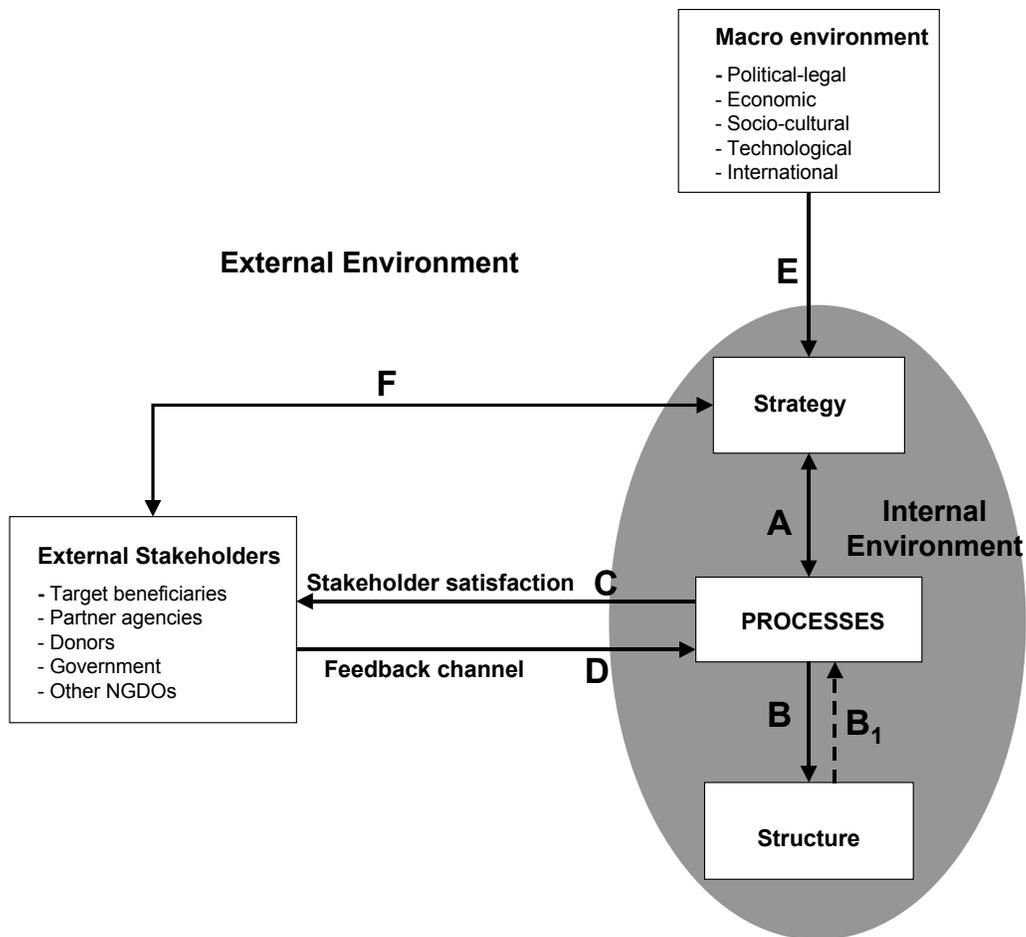


Figure 5.1. Theoretical model showing the relationship between process, macro environment, external stakeholders, strategy and structure

The shaded area represented the internal environment, showing process, strategy and structure. The arrows have been labelled for ease of reference in the discussions in subsequent chapters.

5.3.1 Defining the Variables

Following from the theoretical model in Figure 5.1, a further definition of the variables elaborates how they were operationalised in the current study, for data collection and analysis.

5.3.1.1 *The Internal Environment*

The three variables of the internal environment that were studied were process, strategy and structure. These are defined as follows.

5.3.1.1.1 *Processes*

The objective here was to determine organisational processes that facilitate the achievement of NGDO development goals.

As explained earlier, the task of determining processes is a challenging one, because processes often have no clear boundaries, have no names, are unknown, definitions are inadequate, and each organisation can define a process according to its needs (Davenport 1993; Nickols 1998). In identifying processes therefore, the approach taken is one of operating from the “known” organisational goals, as identified in the definition of development (Sections 3.4 and 3.5.1.1). The researcher then traces steps back to establish the ‘related sets of activities’ that are carried out to achieve those goals.

The other approach used was one suggested by Crowston (1997) of examining a wide range of organisations in the same sector, based on the assumption that organisations in the same sector will perform basic similar functions from which broad processes can be identified. The differences in details of processes between different organisations would contribute to building theory on the contingency factors that influence process definition and outcomes.

As defined previously, the term ‘processes’ is used to refer to those flows of activities that aim to create an output that is of value to the stakeholder. At the end of Section 3.5.1.4 the service delivery process was identified as a major process of NGDOs. The study systematically identified those activities that contributed to the process of service delivery. Some examples of sub-processes that may be relevant to this major process may include those involved in the identification, implementation and evaluation of programs in developing

countries, funding arrangements with donors, collaboration with other NGDOs, and relationships with government.

5.3.1.1.2 Strategy

An analysis of both the external and task environments brings managers of organisations to a position where they are able to understand the linkages between these two environments and determine the strategic position of their organisations. This may be a position of strength and influence or one of weakness and dependence on the environment (Daft 1995; McKenna 1999).

In the former situation managers are likely to be able to shape their environment. Those in the latter situation might need to respond to changes in the environment. Strategic choices and actions that follow could be quite different (Daft 1995; McKenna 1999). The study therefore identified the choices and actions taken by NGDO managers and analysed the circumstances that have prompted them.

As discussed in Section 2.3.2.1, processes have strategic relevance and the relationship between strategy and process may be a bi-directional one. The study sought to determine how this relationship influenced process and subsequently outcomes of NGDO work. The strategies involved in NGDO work may be such as strategies for fundraising and those for delivering services in single or multiple development sectors, in both the short and long-term.

5.3.1.1.3 Structure

Structure – defined as the division of labour into tasks and the coordination of those tasks to accomplish an activity (Mintzberg 1999) – was identified as an important variable in a process-based assessment. One of the objectives of process thinking is that it aims to address the problem of fragmentation or lack of cross-functional integration by focusing on process-oriented structures (Arrow B) (Garvin 1998). However, the literature presented in Chapter Two suggests that due to the difficulties of designing, testing, implementing and managing

process structures, functional structures are commonly used, and sometimes they determine processes (Vanhaverbeke & Torremans 1999; Pentland 1995). The broken arrow (B_1) has been used in the framework above to indicate this relationship from structure to process.

In the current study, an analysis of NGDO organisational structures is useful in determining the existence or lack thereof of functional structures and cross-functional integration, and to assess the influence of structure on processes and outcomes of NGDO work. The parameters defining structure in the study were (Mintzberg 1999):

- Job specialisation: the number of tasks in a given job and the workers' control over those tasks.
- Formalisation: the standardisation of work processes by the imposition of operating instructions, job descriptions, rules, regulations, procedures and training.
- Centralisation: the extent to which power and authority are retained at top organisational levels.
- Departmentalisation: the clustering of individuals into units and of units into departments to facilitate organisational goal achievement.
- Reporting relationships: vertical relationships between levels and the horizontal relationships between groups or functions. It also refers to delegation relationships.
- Liaison with outsiders: kinds of relationships established with those outside the organisation and the assigning responsibility for building the necessary organisational bridges.

The study identified various kinds of structures developed by NGDOs and assessed their strengths and weaknesses in relation to process outcomes.

5.3.1.2 The external environment

The external environment constituted the macro environment and the external stakeholders.

5.3.1.2.1 The macro environment

The macro environment is relevant to the study to the extent that it influences NGDO strategies, such as those of service delivery and/or fundraising (Section 3.5.2.1). An influence on strategies has subsequent effect on organisational processes and outcomes. The study analysed the following features of the macro environment (Bartol et al 2001; Daft 1997; McKenna 1999):

- Political-legal element: the different legal and government systems within which an organisation operates.
- Economic system: the system of production and distribution of goods and services and how this may impinge directly or indirectly on the organisation.
- Socio-cultural system: the ethnic backgrounds, beliefs, values, relationships and behaviours of the people of a particular area/country.
- Technological element: the technology on which an organisation is dependent or which could potentially impact on the organisation's domain.
- International context: the events originating from other countries other than the organisation's home country with potential to influence the organisation.

5.3.1.2.2 The external stakeholders

The external NGDO stakeholders identified from literature were the target beneficiaries, partner agencies, donors, governments and other NGDOs. These were important to the extent that they affect or were affected by NGDO work and outcomes. The role of stakeholders in determining the NGDO bottom-line (Fowler 1997) and in influencing the organisation (Perrot 1999) was discussed in Section 3.5.2.2. One significant driving force behind process thinking is stakeholder satisfaction (Braganza & Lambert 2000; Davenport 1993; Garvin

1998; Hammer & Champy 2001; Nickols 1998; Vanhaverbeke & Torremans 1999). Stakeholders form part of the external environment that both gives inputs to process definition (through the feedback channel) and receives outputs of the process (stakeholder satisfaction). Examining the role of NGDO external stakeholders was therefore an important dimension in determining process definition, outcomes and goal achievement of NGDOs.

To facilitate the assessment of stakeholders, the following three components were examined.

- Stakeholder expectations: identifying the services and products stakeholders expect from the NGDO and the level of quality and effectiveness expected from the organisation.
- Stakeholder prioritisation: identifying, prioritising and analysing the stakeholders in order of importance and influence, as defined by the organisations.
- Stakeholder satisfaction: assessing the extent to which the various stakeholders had been satisfied by the organisation. This was based on how the organisation prioritised the stakeholders and attempted to meet their expectations.

5.4 Conclusion

The theoretical framework was useful for five purposes. One was to develop an understanding of the concepts under study. Two was to analyse each variable and its relationship to other variables based on their operationalisation. Three was to evaluate the NGDOs' internal environment to determine whether differences in strategies, process definitions and structures contribute to variances in achieving development goals, and if so, how. Four was to evaluate the significance of the external environment and determine its effect on process determination and goal achievement. Five was to guide in the development of a theoretical model to explain variations in process determination as an initial step towards developing guidelines for good development management practices.

The approach taken in the study was to determine processes and then analyse the relationship between the processes and the other variables discussed. The analysis therefore took different perspectives, depending on the variable being analysed. For example, from a political-legal point of view, the analysis considered the interdependence between a process and laws and government regulations, and from an organisational structure perspective, the assessment was on the appropriateness of a structure in facilitating organisational processes.

Specifically, with the aid of the theoretical framework, the study aimed to answer the four research questions outlined in section 1.7.

One outcome of the study was to identify key issues and implications for management by donor NGDOs, and make propositions for improvement, as they focus on their service delivery role in the future. These issues focus on their internal environment to suggest how processes may be defined and the different outcomes that are achieved from different strategies and structures. The propositions also suggest various responses to the turbulence in the external environment.

A second outcome was to develop a framework that could guide the implementation of good development practices in the processes that ensure the effectiveness of NGDOs.

CHAPTER SIX

METHODOLOGY

6.1 Introduction

The study focused on Australian-based Non-Governmental Development Organisations (NGDOs), examining how existing organisational processes impact on the outcomes of their work, and the factors affecting such processes as a step towards developing a framework of guidelines for good development management.

The diversity of NGDOs, coupled with the limited number of examples of their organisational processes, and the fact that they operate in a broad, often unpredictable context has made a clear systematic analysis and documentation of organisational processes a complex task. The result therefore, is that any inquiry into NGDO processes could best be served by an exploratory study. This allows for open-mindedness to the fact that there is no single way of defining or mapping out processes, or interpreting ideas.

The theoretical framework developed in Chapter Five defined the variables under study and sets boundaries for the study. The current chapter discusses the study set up, the methodology used in data gathering, data recording and management, measurement, and data interpretation and analysis.

6.2 Approval by the Human Research Ethics Committee

Prior to conducting the study, an application for approval of projects involving human participants was submitted to the Faculty of Business and Law Human Research Ethics Committee at Victoria University. The application addressed issues of participant privacy and confidentiality, potential risks associated with the project, and the information provided to potential participants as part of the

informed consent process. The Human Research Ethics Committee approval letter and participants' consent form are in Appendix I.

6.3 Research Process

The study progressed in six steps: literature search, research design, procedure for contacting respondents, data collection methods, measurement of variables, and the data analysis and interpretations. These are illustrated in Figure 6.1 below.

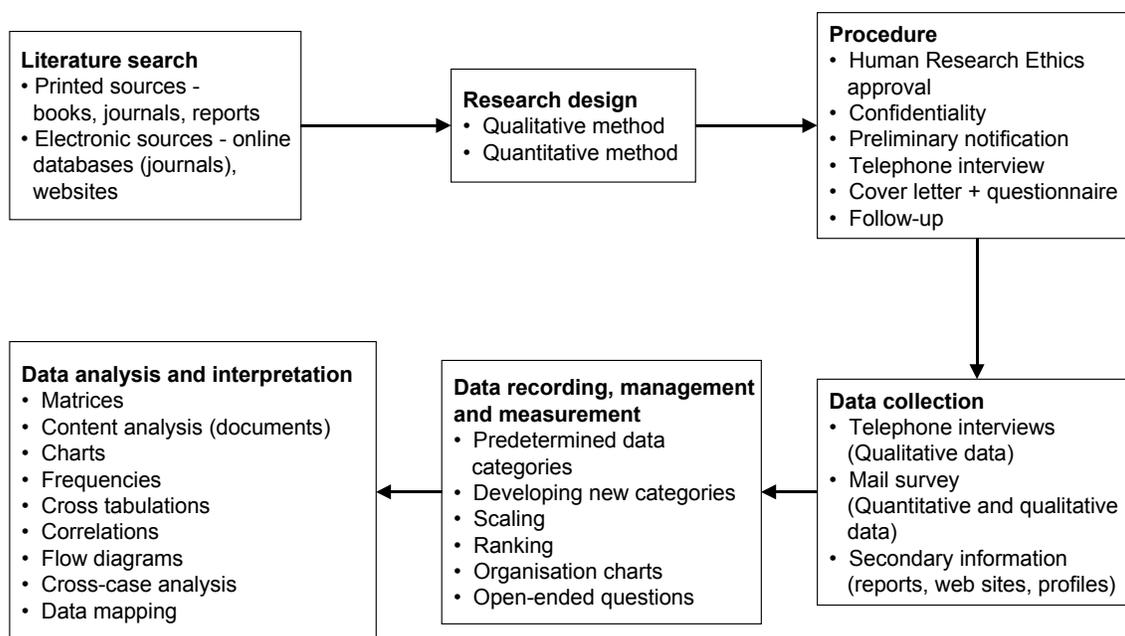


Figure 6.1. The Research Process

The steps of the study are described in detail in the following sections.

6.3.1 Literature Search

The literature search included both printed and electronic sources. Printed material included books, reports, dissertations, periodicals (journals, magazines and newspapers), statistics, manuscripts, dictionaries, conference proceedings, and handbooks.

Online databases were used to search electronically available information such as periodicals (journal articles, magazine and newspaper articles) abstracts, reports, briefing papers, working papers, discussions papers, annual reports, and bulletins. The databases used included: (1) ABI/INFORM; (2) Business Periodicals On-disc [BPO] (3) EBSCOhost databases that include Academic Search Elite, Business Source Premier, Ebscohost Online Citations, Econlit, MasterFile Elite, Newspaper Source, Professional Development Collection and World Magazine Bank; (4) Emerald Library, (5) Expanded Academic Index (6) Electronic Collections Online (7) Education Online (8) Social Sciences Plus (9) Proquest – digital dissertations, (10) ERIC/Assessment and Evaluation [ERIC/AE] and (11) Wiley Interscience.

In addition, various web sites relevant to NGDOs were also searched for reports, articles, news items, current debates and trends, publications, working and briefing papers. The sites searched included those of the Australian Council for Overseas Aid (ACFOA), Australian Agency for International Development (AusAID), Commonwealth Foundation (CF), Institute of Development Studies (IDS), Organisation for Economic Development and Cooperation (OECD), Overseas Development Institute (ODI), the World Bank (WB), United Nations (UN), and the International Monetary Fund (IMF).

Another electronic search was of the web sites of the target study population. Web sites of Australian-based NGDOs were searched for relevant documentation on general debates and discussions.

6.3.2 Research Design

The study used a research design that combined qualitative and quantitative research methods.

In the context of the current exploratory study, qualitative research method was considered appropriate as the study sought to delve in depth into complexities of processes on which little information exists (Marshall & Rossman 1999:57). To fully understand the way organisations define processes, and the impact of

various factors in process definition and outcomes, case by case examination was considered necessary to gain an in-depth understanding of concepts and the linkages between them, as defined by the respondents. This gave the researcher a broad range of issues to interpret and analyse, thereby building on the theory on the significance of a process perspective to NGOs. Qualitative research was therefore important in examining the intricate details of the causal conditions and intervening conditions that resulted in particular process definitions and the consequences/outcomes of those processes (Strauss & Corbin 1998:11).

Second, the study benefited from qualitative research, as this method allowed for well-grounded, rich descriptions and explanations of processes in identifiable contexts. With qualitative data it is possible to preserve the chronological flow, see precisely which events led to which consequences and derive explanations (Miles & Huberman 1994:1). In determining organisational processes, where chronological flow is important in identifying the streams of activities that lead to particular outcomes, qualitative research becomes indispensable.

Leedy and Ormrod (2001:148) also outlined the usefulness of qualitative research in: describing the nature of settings, processes and relationships; gaining insights, developing new theoretical perspectives and discovering problems that exist within a particular phenomenon; testing the validity of assumptions, theories or generalisations within real-world contexts; and judging the effectiveness of particular policies, practices or innovations.

Qualitative research also allowed the researcher to go beyond asking the “what” questions to asking the “how” and “why” questions and to be able to assess causality as it actually plays out in a particular setting (Miles & Huberman 1994:10) – which was the emphasis in the present study. In the present study, the qualitative method allowed for exploration, discovery, building and enhancement of theory on how the variables under study impacted on each other.

Quantitative research on the other hand proved useful in validating the findings of the qualitative research, determining the extent to which a particular phenomenon existed in a broader context (Strauss & Corbin 1990:19). This was done by using the responses from qualitative research to frame closed questions for the mail survey. For example, the steps respondents identified for the program identification process were translated to questions, to determine how many other organisations used the same or similar steps. The outcome was that commonly occurring themes could be identified, and where exceptions were observed, the rich qualitative data would be useful in providing some of the explanations for such exceptions.

Miles and Huberman (1994:41) suggest that linking qualitative and quantitative data strengthens the overall research design and the interpretation of the findings. Some of the reasons suggested for the linkages are:

- To enable confirmation or corroboration of each other via triangulation – qualitative inquiry may help with the interpretation of information generated using quantitative methods and vice versa;
- To elaborate or develop analysis, providing richer detail;
- To initiate new lines of thinking through attention to surprises or paradoxes, providing fresh insights (Rossman & Wilson 1991, cited in Miles & Huberman 1994:41);
- To summarise data that is useful in highlighting comparative relationships between sets of data and looking at trends; (Broughton & Hampshire 1997:33-34).

Firestone (1987, cited in Miles & Huberman 1994:41) suggests that on the one hand quantitative studies “persuade” the reader through de-emphasising individual judgement leading to more precise and generalisable results. On the other hand, qualitative research persuades through rich depiction and strategic comparison across cases, thereby overcoming the “abstraction inherent in quantitative studies.”

Creswell (1994:174-175) suggests that combining qualitative and quantitative approaches is based on the assumption that any bias inherent in particular data sources and method would be neutralised when used in conjunction with other data sources and methods. Other reasons for combining the methods would be to seek convergence of results, to complement the findings of each method, to investigate and provide alternative explanations where contradictions and fresh perspectives emerge, and to expand the scope and breadth of the study.

In the present study, a combination of the qualitative and quantitative data was therefore used in reporting the findings. Qualitative data was reported by indicating the particular agency from which the data was gathered, while the quantitative data was reported using percentages and frequencies. Combining the two sets of data was useful in validating findings, enhancing and testing emerging theories, make comparisons between responses and develop a coherent theoretical representation of findings based on valid arguments.

6.3.3 Unit of Analysis

The unit of analysis was the Australian-based Non-Governmental Development Organisations. According to the Australian Council for Overseas Aid (ACFOA), (2000f), there are 120 NGDOs in Australia, of which approximately 100 are involved in international development work. The study was targeted at organisations involved in overseas aid work, thus focused on the 100 organisations. Contact details of the organisations were obtained from the ACFOA Members' Directory updated as at March 2000 (ACFOA 2000f). For those NGDOs that were not members of ACFOA, their contacts were obtained through the assistance of the AFCOA office in Canberra, as they have a listing of all NGDOs.

Of the 100 organisations identified, some had more than one office in Australia. However, as the study was targeted at senior level managers, only the head office of each agency was contacted. The distribution of the head offices was as shown in Table 6.1 below.

Table 6.1: Distribution of head offices

State/Territory	Number of agencies
New South Wales	50
Victoria	29
Australian Capital Territory	11
South Australia	4
Queensland	4
Western Australia	1
Northern Territory	1
Tasmania	0
TOTAL	100

6.3.4 Selection of the target population

All the 100 organisations were included in the study. A sample was selected to participate in in-depth telephone interviews and the remainder were included in a mail survey.

6.3.4.1 Telephone interviews

The aim of the in-depth telephone interviews was to provide data that would be used to generate themes and categories for two purposes: to build on and enhance theory on organisational processes in NGDOs, and to form a basis for developing a mail questionnaire.

6.3.4.1.1 Selection of the sample

A sample of fifteen organisations was selected to participate in the telephone interviews using proportionate stratified sampling. The strata were the six States: New South Wales, Queensland, South Australia, Tasmania, Victoria and Western Australia, and the two Territories: Australian Capital Territory and the Northern Territory.

The objective of this step was to gather data for generating categories, themes and patterns to inform organisational processes in NGDOs. The responses to the open-ended questions were also defined into sets of standard responses, and used to develop the mail questionnaire (Babbie 1998). As such, it was important to gather data from subjects who were in the best position to provide the required information, which implied some judgement sampling. Thus, there was a combination of proportionate stratified sampling and judgement sampling. For example, in the case of New South Wales, once the proportion was determined (that is, seven organisations), the seven organisations were then selected following a set of criteria so as to identify subjects that were most likely to provide the required information. The following general selection criteria were used:

- Years of operation: Approximately 15 years;
- Development programs: involved largely in long-term development as opposed to humanitarian aid (compulsory criterion). The orientation required for long-term development is very different from that required for humanitarian relief aid, so to avoid confusion and to sharpen focus, the study was limited to long-term development issues only;
- Outreach: Working in at least three overseas countries;
- Sources of funding: At least three different sources of funding;
- Overseas Contacts: Works directly with organisations overseas rather than through affiliations;
- Annual budget: At least A\$100,000.

Agencies were required to meet at least four of the criteria items to be selected for the interviews. The agencies were also selected to represent the different development sectors, such as health, education, micro-enterprise development, and others. It was envisaged that involvement in different sectors might provide varied experiences and perspectives that would be relevant to the study.

It is important to note that while this criteria may have worked well for jurisdictions with a large percentage of organisations, such as New South Wales and Victoria, it was more difficult to apply to jurisdictions such as

Western Australia and the Northern Territory that had only one organisation each. As such no organisations were selected from these two jurisdictions. However, the criteria provided some useful guidelines in identifying organisations to participate in the interview.

6.3.4.1.2 *Design of the interview schedule*

The semi-structured interview schedule consisted of four sections with a total of twenty-five questions, all of which were open-ended. However, the researcher had developed a set of possible responses to each question to aid in recording of information. Probing statements were also used to gather diverse and comprehensive responses. The four sections addressed the following aspects:

(a) Service delivery process

- Program/project identification process;
- Project implementation and the management of aid;
- Monitoring and evaluation of programs and policies;
- Addressing the issue of program sustainability.

(b) External factors affecting processes

- The external stakeholders – target groups, partner agencies, donors, government and other NGOs;
- Macro-environment – the political-legal, economic, socio-cultural, technological and international trends.

(c) Organisational factors affecting processes

- Fundraising strategies;
- Service delivery strategies;
- Organisational structure;

(d) Future directions

- The perception of respondents with respect to the future of (1) their individual organisations; and (2) international development.

A detailed interview guide may be found in Appendix II.

6.3.4.1.3 Data collection

Given the extensive nature of the interview, it was considered essential to send a preliminary notification to interviewees requesting their participation in the survey (Robson 1993; Zikmund 1999). The notification outlined the nature of the interview, the anticipated duration, and requested the participation of senior staff. The notification was mailed out a week prior to the beginning of the interviews. A copy of the notification is in Appendix IV. The interviews lasted between 45 minutes and one hour.

6.3.4.1.4 Response rate

Of the fifteen organisations selected, eleven participated in the interviews. This represented a 73 per cent response rate. Of the eleven that responded, eight of the interviewees responded during the first call made to them. The other three requested setting up a later time that would be more convenient.

The distribution of the respondents was as shown in Table 6.2 below.

Table 6.2: Distribution of Telephone Interview Respondents

State/Territory	Number contacted	Number responded
New South Wales	7	5
Victoria	4	3
Australian Capital Territory	2	2
South Australia	1	1
Queensland	1	0
TOTAL	15	11

Appendix V shows the date and time of each interview as well as the job title of each interviewee. The interviews were labelled A to L.

The following were reasons for non-response:

- Unavailability of a senior staff member: in two of the cases, there was no senior staff member to conduct the interview, as they had travelled overseas, and the staff present indicated that they could not participate in the study without authorisation. In a third case the potential interviewee was simply too busy and never got round to doing the interview.
- Poor telephone connection: in one case, the telephone connection was often disrupted making communication difficult.

6.3.4.2 Mail Survey

The second part of the study was a survey conducted through a mail out questionnaire. This was developed from the responses to the telephone interviews.

6.3.4.2.1 Design of the questionnaire

The questionnaire used a combination of closed and open-ended questions. The closed questions used a combination of scales depending on the nature of questions. Nominal scales were used for the mutually exclusive and collectively exhaustive categories. Interval scaling was used to measure the extent to which various aspects of the study were applicable or important to an organisation. A four-point Likert scale was used in which the responses were: '1 = never', '2 = sometimes', '3 = usually' and '4 = always'. The open-ended questions allowed for the elaboration of an issue or for the introduction of an issue that had not been covered in the closed questions.

The questionnaire had a total of fifty-one items divided into five sections and covering the following areas:

- Preliminary information – when the organisation was started, its head office;
- Service delivery processes – criteria for program identification and implementation, management of aid, monitoring and evaluation, and sustainability;
- Organisational factors – organisational structure and strategies for service delivery and fundraising;
- Challenges from both within and outside the organisation;
- Future directions.

A complete copy of the questionnaire may be found in Appendix III.

6.3.4.2.2 Data collection

The total population of organisations – eighty-nine (89) – is a small number for a survey, hence the total population was included in the study. The questionnaire was mailed to all the 89 NGDOs that had not participated in the telephone interviews (including the four that had not responded to the telephone interviews).

According to Robson (1993) and Zikmund (1999), it is advisable when conducting a survey of organisations or institutions, to send out a preliminary notification as a way of negotiating access. This is also likely to yield a higher response rate. As such, a preliminary notification was mailed out two weeks prior to the questionnaire. The notification outlined the justification for conducting the survey and nature of the survey. A copy of the notification is in Appendix VI.

The questionnaire was coded for follow-up purposes, and mailed out together with a covering letter, a copy of which is in Appendix VII. The letter outlined the usefulness of the study, the significance of each organisation's response, the level of staff targeted and the purpose of the questionnaire coding. It also included a promise of confidentiality, the anticipated duration of answering the questionnaire, the due date by which responses were to be received, and a

“token” reward for their participation. The reward was receiving an overview of the study findings. Also enclosed was a postage paid reply envelope.

Four weeks after the mail out, a follow-up letter was mailed to those who had not responded reminding them of the importance of their response to the survey. A copy of the questionnaire was also enclosed. Appendix VIII contains a copy of the reminder letter.

6.3.4.2.3 Response rate

Of the eighty-nine organisations contacted, forty-five responded, representing a fifty per cent response rate. The distribution of the respondents was as shown in Table 6.3 below.

Table 6.3: Distribution of Organisations that Participated in Mail Survey

State/Territory	Number contacted	Number responded	% response rate
	(a)	(b)	$\frac{(b)}{(a)} \times 100\%$
New South Wales	45	22	49
Victoria	26	13	50
Australian Capital Territory	9	6	67
South Australia	3	3	100
Queensland	4	1	25
Western Australia	1	0	0
Northern Territory	1	0	0
TOTAL	89	45	51

The non-response from Western Australia and the Northern Territory could be attributed to the very small population in each jurisdiction – that is, just one organisation. Table 6.4 below compares the percentage of respondents from each jurisdiction to the percentage total number of organisations in each jurisdiction.

Table 6.4: Percentage Distribution of Respondents

State/Territory	Number contacted	% of total agencies contacted	Number responded	% of total respondents
		$\frac{(a)}{89} \times 100\%$		$\frac{(c)}{45} \times 100\%$
	(a)	(b)	(c)	(d)
New South Wales	45	51	22	49
Victoria	26	29	13	29
Australian Capital Territory	9	10	6	13
South Australia	3	3.5	3	7
Queensland	4	4.5	1	2
Western Australia	1	1	0	0
Northern Territory	1	1	0	0
TOTAL	89	100%	45	100%

A comparison between columns (b) and (d) in Table 6.4 shows some similarity between the percentage of agencies found in one jurisdiction and the percentage of respondents from that jurisdiction. For example, New South Wales represented 51 per cent of the total number of organisations, and 49 per cent of the total number of respondents. The relationship between the figures in these two columns indicates that generally the respondents were representative of the various jurisdictions.

6.3.4.3 Secondary data collection

In addition to these two methods of gathering primary data, respondents e-mailed, posted or faxed other forms of documentation such as annual reports, newsletters, project documents and brochures, which they perceived would enrich data. They also suggested the use of their web sites for relevant additional information. Secondary data were not available from all respondents. Appendix IX lists the different kinds of secondary data gathered from respondents.

6.3.5 Coding of data

All the data were coded to maintain confidentiality, and facilitate data entry, documentation and discussion of findings.

The eleven telephone interviews were coded Interview A to Interview L, with the letters labelling both the interview and the agency. Secondary material provided by the respondents was coded in like manner. For example, an organisational profile document provided by interviewee A would be labelled 'Organisational Profile A'.

The questionnaires were coded from 001 to 089. Additional information provided in the form of brochures, annual reports, newsletters and other forms of documentation were coded in a similar manner. For example, a number 052 represented a questionnaire code as well as a respondent code. An annual report submitted by the same organisation would also be coded as 'Annual Report 052'.

6.3.6 Data recording and management

As discussed in the introduction, the scope of the study was restricted to organisational processes as a core variable, and an assessment of the internal (strategy and structure) and external (macro environment and stakeholder) factors affecting it. The operationalisation of these variables was presented in Chapter Five. Data on the variables were collected and recorded as follows:

Each interview was transcribed, from the handwritten notes and data were recorded in predetermined categories, as well as other categories that emerged from the data.

6.3.6.1 Processes

The concept of processes was best captured through the telephone interviews as respondents explained the steps involved in their various activities. For

example, in service delivery, respondents explained the entire process from the identification of development clients to evaluation of projects. Within this macro process, other micro-processes were identified – program identification, program implementation, program monitoring, evaluation and assessment, and program sustainability. In discussing processes, the differences between organisations that accounted for varying process descriptions were also identified.

Once these processes had been identified, the translation of responses into closed questions enabled the respondents to the mail survey to identify, agree or disagree with the processes identified and provide additional input as to the significance of each step, and the factors affecting various steps.

6.3.6.2 Strategy

Details of strategy were collected by asking respondents to explain the strategies of service delivery and mobilisation of financial resources. As shown in the theoretical framework (Chapter Five), the macro environment as well as external stakeholders influence strategy determination. As such, data were recorded on how each component of these external environment factors impacted on strategy.

6.3.6.3 Structure

Data on organisational structure were collected by asking respondents to provide a copy of their organisational chart. Data were recorded into the predetermined categories on structure – job specialisation, formalisation, centralisation, departmentalisation, reporting relationships and liaison with outsiders. Additional categories were on staffing and use of volunteers. The question of restructuring of organisations, explaining if, when and why the organisation had been restructured was also addressed.

6.3.6.4 The external environment

The predetermined categories of the macro environment – political-legal, economic, technological, socio-cultural and international environment were used to record data systematically. Details of the macro environment were collected by asking the respondents to identify the current and future threats and opportunities posed by each factor to the organisation, and an additional category on natural disasters was created.

Similarly, the categories of the external stakeholders – target beneficiaries, partner agencies, donors, government and other NGOs were used to record data on this variable. Recording data on the stakeholders involved three steps – identifying the expectations of each stakeholder, prioritising and meeting those expectations.

While this process of data recording appears to be systematic, it was much more complex in practice. This is because when interviewees respond to questions, they do not fit their responses into the categories that are determined by the researcher (Marshall & Rossman 1999). An example is presented in Box 6.1 below

Box 6.1

Example of data recording

Transcript:

Question: Could you please explain how your agency gets involved with specific communities?

Response: Oh, there are many ways. Let me start by saying that we have been in existence for the past 47 years, during which time we have been involved in so many projects, I can hardly remember what procedure we follow. We have a lot of experience in this field of development and can easily spot a good proposal and a bad one. We have so many contacts in developing countries, often times we just find proposals on our desk and if they sound viable and justifiable, we support them. But let me also say

that we have program country offices in 30 overseas countries where we work. We use staff in these offices to help with identifying viable projects, and their input is also valuable in determining the validity of a request.”

Recording of data:

The information provided above contains data on the predetermined categories of:

- Years of operation – 47 years;
- Process of identifying proposals – through experience as well as through use of field staff;
- Structure of the organisation – the fact that there are branches in overseas countries, and the number of those offices.

Additional categories included:

The role of experience in making decisions – in this case the researcher identified other responses in which the interviewee referred to their experiences/learning.

With each interview, data were added to the existing categories, and new categories created where new concepts were introduced.

Data were entered into a word processor to make them retrievable, as well as doing the necessary editing. The data were organised into a meta-matrix form to allow for easier analysis by providing some degree of standardisation. The raw data matrix was laid out with each column representing an organisation (the unit of analysis), and each row representing a question (Robson 1993). The raw data matrix may be found in Appendix X. For ease of documentation and reference, the data have been summarised and laid out with the responses to each question appearing on a separate table.

Organisational charts were keyed into a PowerPoint program, and used to display an organisation structure as functional, divisional, hybrid or matrix and other emerging structures. Design features such as centralisation,

departmentalisation, reporting relationships and liaison with outsiders emerged from the charts.

6.3.7 Data Analysis and Interpretation

The process of data analysis for the qualitative and quantitative is discussed below.

6.3.7.1 Qualitative data

The approach to data analysis and interpretation was to integrate the findings from multiple-case data and map general models of the variables specifying connections between them. The standardisation of data through the use of matrices facilitated cross-case comparisons. Cross-case analysis was useful in enhancing the generalisability of results, and deepening understanding and explanation of findings (Miles and Huberman 1994).

The general process of mapping models was developed through the steps described by Miles and Huberman (1994) and Patton (1990). These steps were:

- (a) Making comparisons and contrasts – comparing cases to identify similarities and differences in the way processes were defined. In doing this, the researcher was searching for those that had internal convergence and those with external divergence. Internal convergence refers to the extent to which the data belonging to a particular category hold together in a meaningful way. External divergence refers to the extent to which the differences among categories are bold and clear.
- (b) Finding intervening variables responsible for presence and/or relationships between variables – identifying the internal and external environment factors that had an effect on process definition and outcomes.
- (c) Considering which variables might reasonably be expected to have a direct impact on other variables both preceding them in time and having a plausible direct connection – determining the effect of each intervening

- variable on processes, by checking respondents explanations for the causal linkages they perceive to exist;
- (d) Testing emergent themes and suppositions by searching for rival explanations and negative patterns from respondents about causal connections.
 - (e) Searching for alternative explanations involved identifying alternative explanations to the emerging patterns, clarifying any assumptions made and demonstrating how the final explanations offered were the most plausible ones.

Working through these steps progressed the study from describing processes to determining the contribution of different process steps to process outcomes, and from identifying the intervening variables to determining the effect of each intervening variable on process outcomes. Through discussions and building up of logical chains of evidence, the result was a coherent conceptual presentation that demonstrated the relationships between variables (Miles & Huberman 1994).

To aid in the analysis process, various visual representation tools such as flow charts, organisational charts, context charts, matrices, data maps and causal models were used (Robson 1993; Miles & Huberman 1994). Context charts attempt to map out the relationships among variables that make up the context of organisational behaviour. Matrices included the case-ordered effects matrices that sort out the cases by degrees of the major variables being studied, and showing the effects for each case. Causal models show the connections between variables. All these display formats aimed to reduce the data and draw logical patterns and themes (Miles and Huberman 1994).

Given that the study was exploratory in nature, and the fact that the research project may be classified as small-scale, with eleven cases of qualitative data, a word processor with its features of easy coding, retrieval, searching, revision of data and graphic displays, was considered appropriate and sufficient for analysis (Fielding 1993; Miles and Huberman 1994).

Secondary data gathered from respondents in the form of annual reports, brochures, newsletters, bulletins and web site information was content analysed to identify themes that built on or opposed those obtained from the interviews. The content analysis was therefore restricted to issues that were relevant to the study, and contributed further in identifying explanations to emerging patterns and development of theory.

6.3.7.2 Quantitative data

Quantitative data were analysed using Statistical Package for Social Sciences (SPSS) to provide frequency distributions, percentages, cross-tabulations and correlations between variables. The frequency distributions and percentages were useful in summarising the data and describing observations. The cross-tabulations displayed the number of cases falling into each combination of the categories of two or more categorical variables, while the Pearson correlation was useful in measuring the directional relationship between two variables of linear association. One-tailed tests were used to measure the directional relationship, at both the 0.01 and 0.05 significance levels (Coakes & Steed 1999). The use of statistics provided for the necessary explicitness hence giving greater protection against bias in the interpretation of qualitative data (Robson 1993). Quantitative data analysis was therefore limited to the extent that it provided objectivity to the qualitative data.

With the help of SPSS, data were sorted, searched and recoded to allow for data exploration. Charts and tables were produced and emerging themes tested using the “what if” option that allowed for data to be arranged in different sets, such as by ‘years of operation of the organisation’, or ‘size of organisation’ (staffing, outreach and/or annual budget). The process of recoding and reorganising data allowed for comparisons between different sets of data leading to new themes being developed and continually tested (Leedy & Ormrod 2001).

The interpretation of qualitative and quantitative data was carried out simultaneously, generating meaning and drawing conclusions from the findings

and analysis. This was done by noting patterns and themes, seeing plausibility, clustering similar data, making comparisons and contrasts between cases, noting relationships between variables, and finding intervening variables. An understanding of the data included building a logical chain of evidence and making conceptual/theoretical coherence (Miles & Huberman 1994).

6.4 Research Quality

To ensure the quality of the research findings and conclusions, a number of factors were taken into consideration in the research design. These included measures to ensure the validity, reliability and objectivity of the research findings. The section below describes how the researcher addressed these issues. The researcher also acknowledges the subjectivity likely to result from her own position in the study. This is also addressed.

6.4.1 Validity

There are two types of validity – internal and external validity.

Internal validity of the study refers to the extent to which its design and the data that it yields allows the researcher to draw accurate conclusions (Leedy & Ormrod 2001). Do the findings make sense? Are they credible and authentic (Miles & Huberman 1994)? In other words, do the findings correctly map the phenomenon in question (Silverman 2000)? Qualitative research, with its in-depth access to single cases, has to overcome the temptation of basing conclusions and explanations solely on a few extracts from its field work. The question of representativeness of these extracts threatens the validity of the analysis and conclusions drawn from the study (Leedy & Ormrod 2001). To address this issue Leedy and Ormrod (2001), Robson (1993) and Silverman (2000) suggest use of triangulation of the methods used to collect data. Multiple methods could be used – such as interviews, surveys and secondary data, and within the same method, questions could also be framed in different ways to gather the same information.

The researcher adopted such measures through the triangulation of data collection methods (interviews, questionnaires and secondary data), and the use of quantitative data to complement qualitative data. The exploratory work done with the interviews, and the subsequent coding and analysis provided ground and direction to the quantitative data gathered through the questionnaire. The use of multiple methods also helped to enhance the interpretability of the findings. A qualitative account provided the “thick description” that allows the reader to draw conclusions from the data presented (Leedy & Ormrod 2001) and this was enhanced by supportive quantitative evidence used to buttress and in some cases clarify the account (Robson 1993).

External validity refers to the extent to which the results of a study apply to situations beyond the study itself – that is, the extent to which they can be generalised to other contexts similar to the one in which the study occurred (Silverman 2000).

According to Leedy and Ormrod (2001) the external validity of a research can be enhanced by the use of real-life settings, use of a representative sample and replication to a different context. The researcher adopted such measures through:

- (a) Conducting interviews and the mail survey in the real-life settings of the respondents;
- (b) Using a representative sample for both the interviews and mail survey, as discussed in section 6.3.4.1.4 and 6.3.4.2.3 on the response rate; and
- (c) Comparing previous studies with the current study, through a review of literature, to identify patterns and similarities in settings, findings and conclusions.

6.4.2 Reliability

Reliability is the extent to which findings can be replicated, or reproduced by another inquirer (Silverman 2000). The underlying issue is whether the process

of the study is consistent, reasonably stable over time and across researchers and/or methods (Miles & Huberman 1994). According to Leedy and Ormrod (2001) reliability can be enhanced by using a standardised instrument, and in the case of subjective judgements, specifying the criteria that dictate the kinds of judgement the researcher makes.

The researcher enhanced the reliability of the study through:

- (a) The use of a semi-structured interview guide that allowed for some consistency in the way the instrument was administered;
- (b) The administration of interviews at approximately the same time each day (usually mid-to-late morning). Interviews were conducted on Tuesdays, Wednesday and Thursdays only. Mondays and Fridays were generally avoided (except at a respondent's request) as they were perceived to be hectic days in most offices, and adequate attention may not be given to the interview;
- (c) A request that the respondents be senior level staff of the organisations. It was hoped that this would increase consistency in the responses based on the assumption that the staff would have a good level of understanding of the issues being investigated;
- (d) The administration of the interviews by the same researcher, hence reducing the effect of biases from multiple researchers;
- (e) In cases where respondents were expected to make subjective judgements (such as, by using terms like "never", "sometimes", "usually" and "always"), an explanation was provided as to what each term represented, to assist the respondents make similar judgements to those of the researcher.

6.4.3 Objectivity

Objectivity refers to the extent to which findings are free from bias (Silverman 2000). Bias is defined by Leedy and Ormrod (2001:221) as any influence, condition or sets of conditions that singly or together distort data. Leedy also acknowledges that the researcher cannot avoid having data contaminated by

some form of bias. However, bias can be reduced and objectivity enhanced. In this context, Robson (1993) defines objectivity as inter-subjective agreement on what multiple observers agree to as a phenomenon.

To enhance objectivity in the study, the researcher used multiple interviews as well as the triangulation method of data collection so as to obtain information from multiple observers with regard to the issues under study. The researcher's own bias is acknowledged in Chapter One, in sections 1.4 and 1.5 on the assumptions and boundaries of the research to provide the reader with the researcher-position that is useful when assessing the interpretation of the findings and conclusions drawn.

6.4.4. Subjectivity

Subjectivity refers to the extent to which a judgment is based on individual personal impressions, feelings, assumptions, beliefs, values and opinions rather than external facts (Leedy and Ormrod 2001). The researcher approached the study with personal experiences of disagreement and criticism about how donor NGDOs manage development programs in developing countries. In the researcher's experience recipient organisations in developing countries have little information about the context in which their funding partners operate. They hardly get to ask pertinent questions regarding the development process or some of the actions and decisions taken by their donors. The researcher therefore perceived the relationship between donor and recipient NGDOs as one characterised by tension rather than cooperation. The relationship also appeared to be one of unbalanced power, with donor NGDOs having most power and control over development programs, thus undermining the ideology of partnership with agencies in developing countries – an ideology that they often ascribed to.

With such a perception, the researcher, in using interviews to gather data may have introduced biases in the data. Data may be misinterpreted, either by giving more or less emphasis than intended by the respondent. The tone of voice used, voice inflections and accentuations of particular words could not only

introduce bias but may also have affected how the respondents answered questions (Zikmund 1999; Hughes 2002).

However, the researcher in being aware and sensitive to these possible sources of bias and the personal experiences brought to the study, sought to ensure that such biases were minimised, and the benefits of interviewing (section 6.3.4.1) for this study were maximised.

6.5 Limitations of the Study

There were various limitations in the methodology employed in data collection. First, the lack of face-to-face interaction with respondents meant that useful non-verbal gestures and expressions were not observed. These are often useful in qualitative research in interpreting the verbal responses.

Second, the interview guide was semi-structured, to allow for probing and following through valuable lines of inquiry from a respondent's comments. This was particularly useful, as the study was an exploratory one. However, it also implied some loss in standardisation of the instrument. Some respondents were very enthusiastic to keep the interview going and it was not always possible to terminate the interview after an hour (which had been designated as the maximum time for each interview). Such variability, while invaluable and greatly appreciated, could be a threat to reliability.

Third, while a request was made to interview senior staff in an organisation, the researcher had no control over the selection of the respondent. On the one hand, restricting responses to senior staff meant that lower level staff with a good understanding and perception of the issues under study could have been excluded. On the other hand, in cases where senior staff were not available and their subordinates responded, the effect of having responses from different cadre of staff could have introduced biased views. A chief executive officer, for example, is likely to have a different perception and possibly bias on an issue compared to a project officer in the field, and part of that bias could be attributed to their frame of reference that is associated with their positions in the organisational hierarchy.

Fourth, the data was collected from the organisations only. This meant that an external stakeholder perspective was not obtained to identify their involvement in designing organisational processes or their level of satisfaction from the services provided by the organisations. However, through probing, the researcher was able to obtain relevant and useful information on the external stakeholders that are important to organisations, their expectations, prioritisation, and level of satisfaction as reported in Section 9.2. Identifying the influence exerted by external stakeholders on organisations was an important part of the study and the organisations were able to provide that data.

Fifth, the promise of confidentiality to respondents meant that findings and discussions were made generally, and sometimes this resulted in some ambiguity as too much description of data could lead to divulging the identity of a respondent. However, the researcher has attempted to provide the reader with as much detail as possible to make sense of the data and discussions, while preserving the confidentiality of respondents.

Fifth, in terms of data analysis, the selection of segments of qualitative data to be included in the discussions tends to be subjective (Marshall & Rossman 1999). A lot of information was gathered during the interviews, and in choosing words to summarise and reflect on the complexity of the data, and to produce the raw data matrix (Appendix X), some details may have been omitted. However, the researcher has attempted to conduct a comprehensive data analysis, as well as include quotes and stories from respondents in order to capture all the important aspects of the findings.

Sixth, the consequences of non-response from Western Australia and the Northern Territory are unclear. It is difficult to determine with certainty the reasons for non-response. It is evident though, that these two jurisdictions represent a small proportion of the total target population (with 1 organisation each – that is 1% of the total population), which Czaja & Blair (1996) suggest may be too small to have a significant effect on the results. For these and other non-respondents, it could have been that they perceived their organisations to be small and young hence not having much to contribute to the study, or

possibly that the staff best equipped to respond to the survey were unavailable at the time of the study. It could also be that those who responded felt strongly about the questions being asked or held a particular view relative to those who did not respond. This view may then be over-represented (Clarke & Cooke 1983). Does this have an effect on the generalisability of results?

According to Miles and Huberman (1994:279) a study whose emphasis is on qualitative data, the issue to consider more critically is the generalisability of the theory developed and the concepts discussed. Offering “thick description” and drawing linkages between emerging theory and prior theory provides the reader with sufficient data to assess the potential generalisability and appropriateness of findings to other settings. The current study has attempted to address both of these areas thereby increasing the generalisability of results.

In spite of the limitations therefore, it is hoped that the study has provided valuable information and made a significant contribution to the management and organisational issues facing NGOs, an as initial step towards identifying good development management practices.

6.6 Conclusion

This chapter has provided the reader with the research method used in the study. Detailed explanations of the research procedure followed, the methods used in data collection, how and why particular pieces of data were collected, and the methods of analyses used have been presented. Issues of validity, reliability and objectivity have been addressed. The limitations of the research methodology have also been discussed.

As noted by Robson (1993), a reader cannot be satisfied about other concerns of a study unless the researcher provides sufficient information on the research methods used and the justification for their use. There is a strong case for qualitative research calling for a greater emphasis on the methods used and warrant for the conclusions reached, especially because of the lack of codification of the methods of data collection or of approaches to analysis.

Through the methodology discussed, the researcher hopes to be able to engage the reader in discussions on organisational processes as they apply to development organisations, factors that influence these processes, and the significance of a process-based view to these types of organisations.

Having discussed the methodology, the research project proceeds to describe and analyse the findings of the study. This is followed by discussions and conclusions.

SECTION THREE: THE FINDINGS

CHAPTER SEVEN: THE PROCESS OF SERVICE DELIVERY

**CHAPTER EIGHT: ORGANISATIONAL FACTORS INFLUENCING THE
SERVICE DELIVERY PROCESS**

**CHAPTER NINE: EXTERNAL FACTORS INFLUENCING THE SERVICE
DELIVERY PROCESS**

CHAPTER SEVEN

THE PROCESS OF SERVICE DELIVERY

7.1 Introduction

The underlying theme in Chapter Three is the role and position of NGDOs in international development, and the context in which they operate in terms of the challenges and expectations they face. Also addressed are the organisational aspects that NGDOs need to augment so as to improve future performance, as derived from previous studies. The chapter concludes by noting that while there is consensus on areas that need to be improved in the management of NGDOs, little has been done to address the question of how these improvements ought to be made, as an understanding of *how* NGDOs function is limited.

Chapter Five provides a framework for analysis – to analyse how NGDOs currently organise their activities in response to the challenges they face. The analytical framework takes a process-based perspective to provide a deeper understanding on the fundamental patterns of behaviour of organisations. The framework is useful for three purposes: (1) to analyse the internal organisational processes of NGDOs to develop an understanding of how they deliver services and determine the relationship between organisational processes and achievement of development goals; (2) to determine the moderating effect of organisational factors (strategy and structure) and external factors (macro-environment and external stakeholders) on process determination and outcomes; (3) to identify areas of weakness that can be the focus of future improvement.

The current chapter uses the analytical framework to present findings in response to the first research question – the relationship between organisational processes and achievement of development goals.

The chapter begins by determining and describing organisational processes, and then demonstrating how the various components of the process contribute to goal achievement. Unless otherwise stated, the reporting of the data is such that all percentages refer to the quantitative data from the mail survey while qualitative data (interview data) is presented by mentioning the organisation from which it was derived.

From the findings presented below, the recipients of the services provided by NGDOs in Australia were mainly community groups and other non-governmental organisations in developing countries. The Australian-based NGDOs (referring to themselves as *aid agencies*) generally referred to NGDOs in developing countries as *partner agencies*. The term '*development clients*' or '*local communities*' was used to refer to those served by the partner agencies—the intended beneficiaries of the aid process. These terms are therefore used to describe the findings and in the discussions that follow.

Figure 7.1 below demonstrates how these three institutions relate to each other.

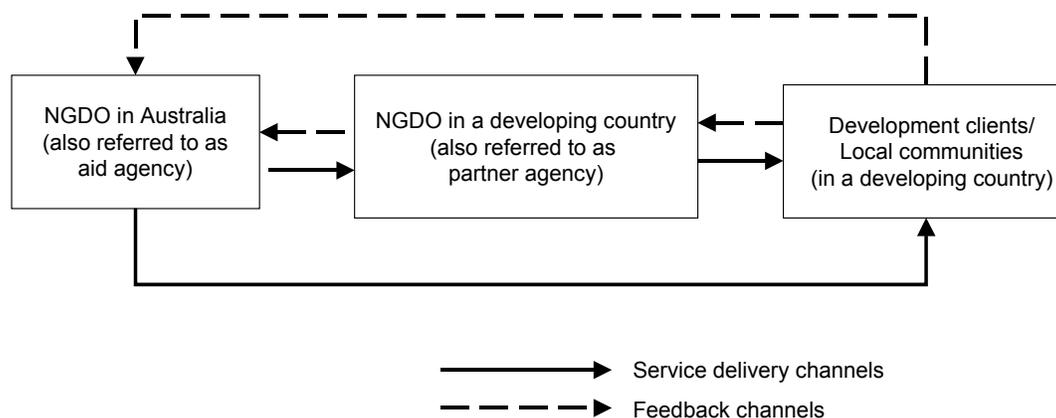


Figure 7.1. NGDO relationship with partners and clients

The process of service delivery was carried out through a number of steps. Depending on the programs/projects being implemented, the process varied between aid agencies, with different agencies placing more emphasis on different steps in the process. The process, however, broadly involved the following steps:

- (a) Program identification and assessment;
- (b) Program implementation;
- (c) Program monitoring, evaluation and impact assessment.

An overriding theme through these steps was that of *project* and *program sustainability*. It is therefore presented as a fourth step in the process, although essentially it is built into each of the three steps above.

These steps may themselves be viewed as sub-processes of the larger service delivery process. A description of the service delivery process and an account of how each sub-process contributes to goal achievement are the focus of this chapter.

7.2 The Process of Program Identification and Assessment

Data from interviews, questionnaires and secondary sources served to inform the process of establishing initial contact with potential development clients, determining their needs, deciding on what to do and how to do it. This process of identifying programs and projects varied for the different aid agencies. Generally, however, it appeared to fall into the following categories:

- (a) The identification process – in which the aid agency determined which areas (locations) to direct its assistance;
- (b) The screening process – was used to prioritise community needs and determine the programs/projects to receive assistance;
- (c) Project/program design – formulating systematically the course of action for implementing the identified projects/programs;
- (d) Review of project design – a critical analysis of the design to ensure it was sound.

These steps are elaborated upon in the following sections.

7.2.1 The Identification Process

The identification procedure to determine target areas for programs and projects was through the use of one or more of the following methods:

- An overseas partner – either a non-governmental organisation or community organisation in a developing country. Sixty-five per cent of the agencies indicated that they used this method.
- Requests received from prospective beneficiaries. This method was used by forty-six per cent of the agencies.
- A project identification mission in which agency staff travelled to a developing country with the express aim of identifying possible areas for assistance. Fifty-one per cent of the agencies used this method.

Other methods used included:

- The use of program country offices – for agencies that had offices overseas, they used their own staff to help identify and prioritise needs. Agencies A, J and K used this method.
- Working from the strategic plans of the agency. Some agencies indicated that they developed strategic plans based on their key competency areas and staff training, and then identified areas/communities that needed their services. Key competency areas were generally derived from the mission of the agency. For example, if the agency had a focus on micro-enterprise development, then that would be the competency area. The Chief Executive of Agency E, argued for the key competency approach noting that there was such a great need for so many services, that an agency was likely to find its niche in the sector. Overseas Programs Executive of Agency K appeared to agree with this argument.
- Identifying the marketable areas for government funding and developing proposals to address those areas. This was often the case for agencies relying heavily on government funding such as agencies C and G. As noted by the Vice President of Agency C:

“We get most of our funding from the Australian government, so we find ourselves trying to stay in step with their funding priorities. Sometimes that may imply trade-offs between areas of greatest need and the strategic interests of the Australian government. That is not to suggest, however, that the areas we work in have not expressed great need. Indeed they have. We just have to try and balance the needs of our financial supporters with those of development clients.”

- In response to the needs of governments of developing countries. In such a case the agency would liaise with developing countries’ governments in the planning and implementation of the projects. Agency E had been involved in such projects.
- As a spin-off of long established programs. As communities grew and changed, and their basic needs were met, they requested assistance to expand to new activities. Agencies A and K had funded program activities for up to sixteen years in the same communities, but these had evolved and grown from the initial activities.

Most agencies used a combination of these methods to validate their findings on the possible areas where assistance could be directed. Others such as Agency D which provided in-kind assistance relied on the availability of goods rather than responding to a need overseas. Once it was established that assistance was needed, the agency proceeded to the next step of screening, to prioritise which of a wide range of possible needs ought to be focused upon, and how it might best be able to respond to those needs.

7.2.2 The Screening Process

Often, the projects identified and communities requesting assistance were more than any one agency could reasonably handle at a time. As such, there was usually a screening process to prioritise them and determine those that were viable and justifiable for assistance. This was usually a rigorous process involving program staff and various committees both within the aid agency and the partner agency. Sometimes development clients were also involved in the

process of prioritising projects. A combination of data from the interviews and questionnaires provided an insight into this screening process.

Depending on the type of project and its size in terms of the amount of funding required as well as outreach (estimated number of beneficiaries), a number of steps were carried out in the screening process. Thus not all the criteria discussed below were used by all agencies. Some used only one (such as Agency D that focused on availability of in-kind contributions) while others used multiple criteria.

First was the gathering of baseline data to determine level of need. This included gathering information on population density and growth, access to basic services (such as education and health), standards of living (such as availability of food and housing), gross national product (GNP), and the potential of the area in terms of productivity and income generation (access to markets). Agencies collaborated with governments in obtaining this information. Seventy-three per cent of the agencies indicated that they usually or always used this as part of their screening process, in verifying the information provided by partner organisations and development clients.

Such a diversity of information was necessary to ensure that projects targeted the poorest segments of the community. The poor were defined as those who had no access to and/or control over the resources necessary for the provision of basic services such as food, shelter, health and education.

Second, project proposals were reviewed on their viability. Indicators used to assess viability included community involvement and participation, the technical viability of the project, and the likelihood that the assistance provided would be effective. According to a Development Program document of Agency J:

“The guiding principles for programming include support for community-based development activities initiated and implemented by indigenous or local community groups and organisations which directly address the problems of poverty and social injustice.”

Third, was the potential impact of the project. Indicators to assess potential impact in the short, medium and long term, included the estimated number of people that would benefit, the potential impact on the economy and the environment, gender equity and other socio-cultural dimensions.

Fourth, the potential for replication to other areas was considered. According to the National Director of Agency A:

“Projects whose relevance and accessibility contribute to being models that can be readily replicated in other locations are given priority.”

Agency H also identified replication of project models as a criterion for selection.

Fifth, project proposals were reviewed against the organisation’s resources, areas of competence and strategic plans. Agencies E and K used this approach. According to Overseas Programs Executive of Agency K:

“We require each program country office to prepare a three-year strategic plan based on the staff competencies and resources, as well as the needs of the various categories of development clients in the country. These strategic plans are submitted to the Australian office for review. Often times we have found ourselves identifying a project that is deserving of assistance but is not within our competency areas. In such cases we forward those project proposals, with our recommendations, to other aid agencies that are better equipped to implement them.”

Sixth, the political stability of the country in which the partner agency was based, was assessed. The assessment was *ad hoc*, and relied mainly on media reports, feedback from field staff and political commentaries made either in Australia or overseas. This issue was considered important as political instability not only posed a threat to the safety of aid workers, but also made project implementation and monitoring difficult. Program Manager of Agency F noted:

“Areas experiencing political turmoil do not usually receive any assistance. This is because it becomes difficult to implement and monitor activities, staff would be at risk, and sometimes projects might be completely ruined. On two occasions the agency has withdrawn its support of existing projects due to this problem.”

Seventh, a criterion that was mentioned by all respondents interviewed (except D) was the potential for sustainability of activities and benefits (this criterion is discussed in detail in Section 7.5). Whereas projects had a defined timeframe and resource allocation, it was hoped that development clients would continue to reap the benefits of implemented projects long after external funding had ceased.

Those projects and programs that met the above screening criteria for assistance, and were within the agency’s capacity and resource base to implement, were then documented into elaborate project documents. Those that did not meet a sufficient number of the criteria, and/or were not within an agency’s capacity and resources to implement, were either postponed to a later date, or potential partner agencies were advised to seek assistance elsewhere.

7.2.3 Project Design

Once the aid agency had identified the projects to undertake, the next step was to plan how, when and at what cost each part of the project would be implemented, as well as who would be responsible for each step of the implementation process. The partner organisation was usually charged with the responsibility of developing a project design document.

Seventy-eight per cent of the aid agencies indicated that they usually or always provided partner agencies with formats and guidelines to assist in the preparation of project proposals.

According to Chief Executive of Agency E,

“Project design is hard work and requires very detailed information as this is the blueprint for each project. By providing formats, we assist our clients to think about all the relevant aspects of their projects. The formats only serve as a template, and some project designs may require more or less information.

Inadequate planning, preparation and documentation at the design stage could cause a lot of delays and difficulties in the implementation stages. A detailed well-designed project would also allow for identification of any loopholes in the project and these could be addressed before actual implementation.”

Additional information from respondents identified the following as the key components in project design:

- (a) *Rationale for the project*: A justification and analysis of the problem by gathering data from multiple sources. Some data sources included statistics from the government of the partner organisation, or other international agencies such as the United Nations. Some examples of the information gathered from these sources included:
- Seventy per cent of children in community W are malnourished.
 - Women in community X have to walk 20 kilometres daily in search of water—water that is not even clean and safe for domestic use.
 - There is a 95 per cent level of illiteracy among the women in community Y.
 - One in every five children in community Z dies before their fifth birthday.
- (b) *Identification of the overall strategies*: Identifying the overall strategies considered appropriate to address a particular need, and a rationale as to why those strategies were considered most appropriate. Strategies varied from a multi-sectoral integrated long-term development program to a short-term training program. These strategies were also used to categorise different types of projects.

(c) *Project description:* Agencies F and H provided a copy of their project description formats. A project description document was expected to address most if not all of the following areas:

(i) Goals and objectives:

- Goal and purpose of the project;
- Major development objectives of each activity – these were to be stated in measurable terms where possible and disaggregated by demographics such as gender and age groups, where applicable;
- Its location and proposed duration;
- Expected number of beneficiaries.

(ii) Activities:

- Specific activities to be carried out;
- Benefits and risks associated with the project;
- Major activity outputs and outcomes of the project and any assumptions associated with these. Such assumptions would be based on the culture of the community. For example, a micro-enterprise development project targeting women would probably be based on an assumption that women had a significant contribution in making financial decisions in the household. Such an assumption would have to be examined against the culture of that community to determine its viability;
- Sustainability strategy – the practical steps, as well as the possible constraints/threats to sustainability. Sustainability was considered at three levels—sustainability of benefits to the community, sustainability of future recurrent costs associated with the project, and sustainability of institutional capacity building of the communities.

(iii) Plan of action:

- Schedule of activities – a schedule that showed the personnel and input requirements at each stage of the project, as well as the timeline for each activity. Where necessary there needed to be an explanation as to why a particular schedule of activities was preferred.

(iv) Monitoring and evaluation:

- Proposed indicators for measuring performance – the quantity and quality performance measures of the project;
- Timing of the monitoring and evaluation activities;
- Long-term potential impact of the project – both positive and negative.

(v) Budget

- Detailed budget, costing each item of the project;
- The contribution of the partner agency and development clients to the project. Agencies A and F put this contribution at not less than 25 per cent of the total cost of the project;
- The expected inputs from the aid agency.

(vi) Management of project

- Management and coordination of activities.

Once the design had been satisfactorily completed, it was presented to the aid agency for a further review before approval.

7.2.4 Review of Project Design

The project designs were then reviewed to assess their accuracy, clarity and validity of information, and interpretation of various aspects. The readership of project documents was large – including the aid agency staff, partner agency staff, board members of the aid and partner agencies, development clients, and sometimes the governments of both agencies. It was important that everyone understood and interpreted the documents in a similar way. Emphasis was therefore placed on the use of simple language with an explanation of complex terms.

To further facilitate the review process, a number of other methods were employed. These included the use of private consultants with special expertise, such as in gender issues, economics, environment and human rights. This was especially important if any of these aspects formed a significant part of the

project. However, only five per cent of the organisations surveyed indicated the use of this method. Forty-three per cent indicated that they never used consultants while 52 per cent said they sometimes did. Eighty-three per cent indicated that they usually or always had the necessary expertise within the organisation to review project proposals.

Collaboration with other Australian aid agencies that had expertise in a particular sector was also useful. However, only fourteen per cent of those surveyed said they usually or always used this method, while 21 per cent said they sometimes did and 64 per cent said they never did.

The review process marked the end of the process of program identification and initial assessment. At the end of this process, satisfactory project proposals were approved for funding. The funding agency then developed its own plan of action to determine how the project would be resourced. The entire process generally took between six months and two years, depending on a number of factors such as:

- The speed with which communication between the aid and partner agency progressed – this was attributed to the available communications technology.
- The frequency with which aid agencies reviewed and approved project proposals. The National Director of Agency A noted:

“Our project review committee used to meet quarterly. However, the increasing workload demanded that the frequency of meetings be increased to monthly. There are always many high quality proposals to be reviewed, and quarterly meetings caused many delays and inconveniences to our partners.”

- Access to adequate relevant information to assist in successful completion of the project designs. Sometimes partner agencies were required to provide additional information that was not always readily available or accessible.

- Availability of funds at the time the approval process was completed. Sometimes proposals had to be put on hold until the aid agency had accessed funds from its various sources.

These and other factors that influence the process of service delivery are presented in detail in the next chapter. Suffice to say at this point that this entire process of project identification and approval did not necessarily guarantee implementation. This process is demonstrated in Figure 7.2 below.

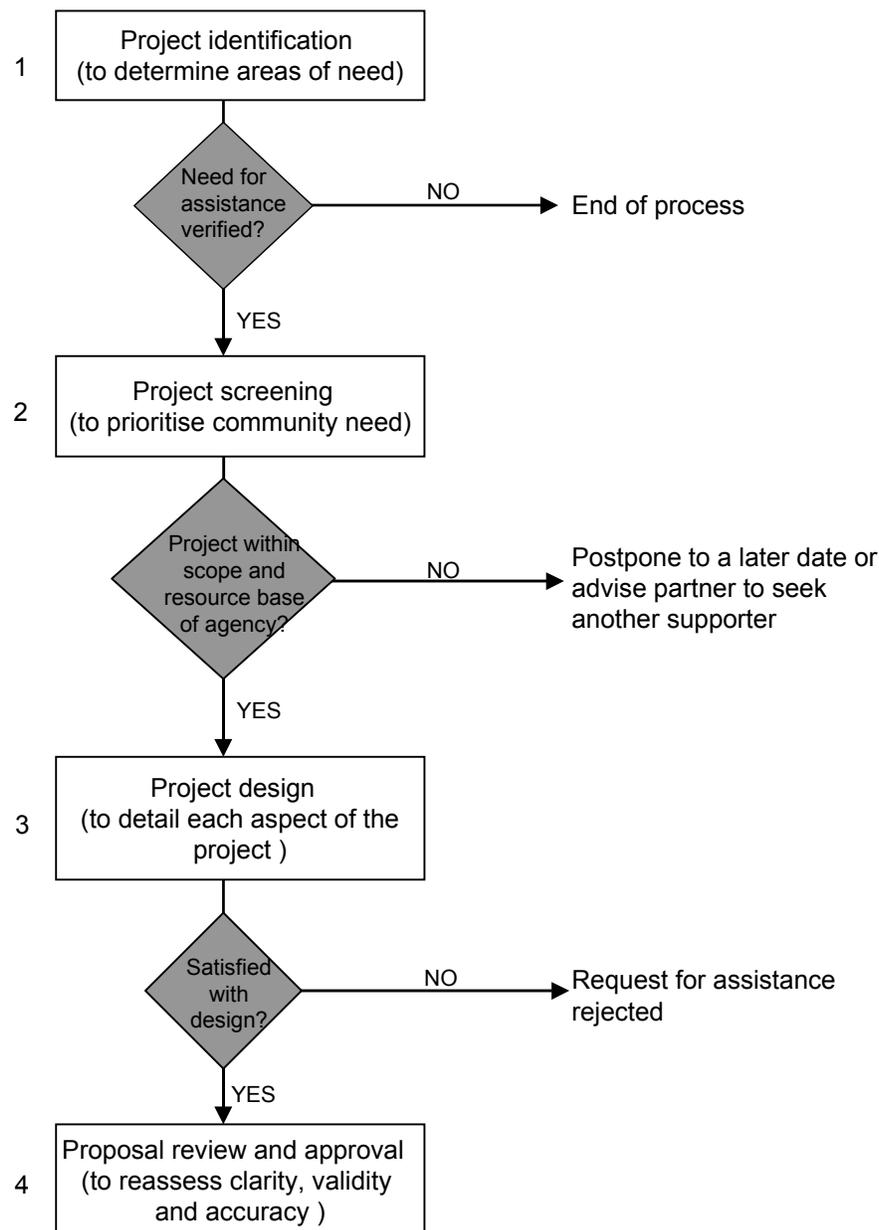


Figure 7.2. Project identification and assessment process

Figure 7.2 shows the steps involved in project identification and assessment. As can be observed, the aid agency makes decisions at each step in the process to determine whether to proceed with the project or to terminate the process.

7.3 Program Implementation

Upon successful completion of project identification and initial assessment of proposals, funds were approved and agencies proceeded with the process of executing their plans. To ensure program implementation was successful or with minimal drawbacks, a number of aspects were considered important. These key aspects served to exhibit a commitment to professionalism in service delivery and good governance by the aid agency. Aid agencies identified different key issues for program success. These issues could be categorised into three main themes. These are:

- (a) Signing of contractual agreements between aid and partner agencies;
- (b) Building the capacity of partner agencies and development clients;
- (c) Engaging in high quality funding arrangements.

7.3.1 Signing of Contractual Agreements

An initial step in project implementation was the signing of agreement documents between the aid agency and the partner agency. Eighty-eight per cent of the organisations indicated that they usually or always included this as part of the service delivery process. Those that did not (12 per cent of questionnaire respondents as well as Agency D) indicated that the nature of the assistance provided did not necessitate the use of contracts.

For that that signed contractual agreements, the agreement document stipulated the responsibilities of each partner in implementation, monitoring and review, reporting requirements and timing of these, adherence to activity schedules both in terms of the activities undertaken, time and costs of inputs. Any proposed variance from the activity schedule was to be reported in writing

before it was undertaken. Failure to do this was considered a breach of the terms of agreement and partner agencies faced possible withdrawal of funding. Agency F, for example, indicated that they had prematurely terminated project funding on two occasions because partner agencies had redirected funds without their approval.

7.3.2 Building the Capacity of Partners and Clients

Irrespective of the kind of project an agency was involved in, building the capacity of partner agencies and development clients was considered an underlying requirement for project success both in the short and long-term.

Two dimensions of capacity building were identified — capacity building of partner agencies, and of development clients.

(a) Capacity building of partner agencies

Fifty-three per cent of the agencies indicated that the lack of adequate well-trained staff to handle project management aspects in partner organisations was usually or always a constraint to effective service delivery. The Chief Executive of Agency B indicated that all senior staff in partner organisations received training in community development and project management. The in-service training programs were jointly organised by all Agency B's international offices in Australia, Denmark, the United Kingdom and the United States, and conducted for staff in all program countries. In a few instances, staff had been sponsored to undertake undergraduate and post-graduate training in international development.

Agencies A, B, E, J and K had program country offices, and placed special emphasis in employing and training local residents of countries to take up senior management positions of those offices. If expatriates were hired, it was only for a limited duration but the long-term staff would be local people. This not only provided them with an opportunity to learn and be part of their own development, it also reduced administrative costs and the legalities associated

with hiring expatriate labour, and ensured long-term sustainability of country offices and agencies. In addition, because local people had a better understanding of local conditions, and were familiar with culture and local languages, employing them contributed to ensuring program success.

Agency H had a training program that was regular and structured in timeframes and content, and specified the cadre of staff to be trained. It included aspects such as organisational development, project management and proposal preparation, orientation into development issues and strategies, community development, gender and development, human rights, environmental issues, and the role of partnerships with government and other development agencies (*Annual Report 1998/99*). Agencies A, B and J trained partners in one or more of these aspects as well.

In addition to the above, agency K focused on country-specific training. This was done by gathering the lessons learnt in doing development work in each country and developing training packages for in-country staff to help them better implement activities in their own contexts in the future. Cross-country learning was also encouraged and supported.

Agencies that specialised in one aspect of a sector, such as micro-enterprise development by agency E and eye health care by agency L, conducted specialised technical training for staff in these areas.

The *ad hoc* in-kind assistance provided by agency D did not allow for capacity building of partner agencies. Agencies C and F also did not have capacity building as part of their program implementation strategy.

Of the respondents to the mail survey, 93 per cent indicated that they usually or always contributed to building the capacity of their partner agencies. This was done in different ways – the most common being conducting on-going short courses, and sponsoring staff to attend relevant courses run by other organisations.

(b) *Building the capacity of development clients*

Training of development clients was conducted by partner agencies and was generally *ad hoc* in timeframes and structure. It was, however, considered an important part of the entire service delivery process. According to the National Director of Agency A:

“Capacity building is one of the most meaningful contributions an aid agency can make as a way of enabling communities be active participants in their own development, and over time, reduce dependence on overseas aid.”

A development program document of Agency J also underscored the importance of capacity building:

“We are involved in community education and training, which is generally an awareness training about issues which directly affect communities, such as the law, human rights, land issues, or basic literacy. Our development experience indicates that it is strong, well informed communities which are most effective in achieving constructive change.”

Agencies A and K acknowledged the complexity involved in the training of communities, relative to that of training partner agencies. According to Overseas Programs Executive of Agency K,

“We place the responsibility of training development clients on the staff of our partner agencies. However, they are sometimes inadequately trained themselves. Coupled with the fact that community members are likely to be at different literacy levels, training is more or less confined to the very practical aspects of their lives and directed to the specific projects being implemented at a particular point in time. There may be, for example, emphasis on training how to operate and maintain a water pump as opposed to broader issues such as empowerment, human rights or the ability to mobilise the resources around them.”

Another difficulty with training development clients was in the translation of terms into local languages. Development literature was usually written in a foreign language, and attempts to translate words like 'participation', 'sustainability', 'empowerment', or 'resource mobilisation', to the local language of clients often proved quite a challenge.

However, building the capacity of communities to ensure they were capable of taking over project management once support had ceased was an important component of project sustainability, and all the agencies indicated that, where possible, they provided resources for this aspect as part of the project implementation process.

7.3.3 Quality of Funding Arrangements

As stated in the Overseas Development Program document of Agency K, an underlying feature of successful service delivery was the ability of the funding agency to ensure provision of sufficient funds within the agreed time frames, in the context of an unpredictable economic environment. This was coupled with proper monitoring to ensure funds were utilised to address the needs of the development clients, and a flexible and simple reporting and accountability mechanism that partner agencies could reasonably manage. In other words, one way to ensure and sustain high quality delivery of services was to match institutional mechanisms of funds disbursement and accounting with the needs and expectations of partner agencies. This concept in its various forms was referred to by aid agencies as the '*quality of the funding arrangements*'.

Some of their interpretation of what constituted quality funding included the following:

“Commitment to achieving excellence in meeting the needs of the people the agency serves, by honouring funding agreements to ensure partner agencies are able to implement projects and programs and ultimately benefit the development clients (Agency H, *Annual report 1998/99*).

“Ensuring that aid money reached the right people, communities and their environments” (Agency 026, Agency profile).

“Providing aid that increases independence of less developed countries and focuses on poverty alleviation” (Agency 013, Agency profile).

Australian Government’s standards for quality funding of overseas projects require that aid agencies closely monitor and ensure responsible utilisation of funds, accountability and reporting.

When funds are transferred to projects overseas, the sponsoring aid agency must ensure that responsible procurement and tendering processes are followed by its partner organisations and communities. These procedures are subject to audit and scrutiny if required (*AusAID NGO Package of Information*, 2000:100)

As such, some agencies required the partner agencies to provide an audit of financial statements and explanation of procurement procedures, especially where capital investments were involved.

For majority of those interviewed, however, they were better able to explain how they try to foster good quality funding arrangements than to define the term quality. These explanations have been classified into eight categories (adapted from Fowler 1997:129), namely:

- (a) Meeting the expectations of partner agencies and development clients;
- (b) Monitoring funds utilisation;
- (c) Level of administrative burden associated with funding;
- (d) Duration of assistance to projects;
- (e) Continuity and necessary duration of funding;
- (f) Likelihood of sustainability of projects;
- (g) Timeliness of funds disbursement;
- (h) Appropriateness of the funding arrangements.

The respondents' comments with regard to these measures of quality are presented below.

(a) Meeting the expectations of partner agencies and development clients

Funding arrangements were considered to be of high quality if and when the expectations of partner agencies and development clients were addressed. Aid agencies identified some of the expectations of their partners that would invariably improve on the quality funding arrangements.

One was the need to respect the requests of partners. National Director of Agency A noted that all too often aid agencies attempted to redefine and redesign the needs of their partners, usually with good intentions, but sometimes resulting in different projects from what the development clients needed. He commented:

“Our partners hope that their requests for funding would be addressed rather than redefined by us. That is why Agency A does not initiate any projects. Recipient communities identify their needs and our responsibility is to respond to them in the best possible way. Where we are not able to be responsive, we let them know. Only when community members are fully involved in the process of identifying and designing their own projects can ownership and success be registered.”

Second, to facilitate some autonomy in decision-making with regard to all aspects of project implementation. Chief Executive of Agency B described this as a thorny issue. She noted:

“The issue of autonomy in decision-making is almost always about how, when and where funds ought to be spent. Although we meticulously design project proposals at the beginning of each project, and enter into contractual agreements with our partners, experience has shown that field conditions do not always fit into what has been stipulated on paper. Given that the implementing agencies are far away from us, they are expected to

make intelligent and often quick decisions with no time to consult us. We have often found ourselves deadlocked as to whether the decisions they made were the most appropriate. Every situation is always subject to the interpretation of the decision-maker. In such cases, the result has been tension between the agencies, and we have often been accused of not empowering our partners to manage their organisations and activities.”

A balance between autonomy and oversight was characterised as a precarious one.

Third, to establish and maintain long-term partnerships. Overseas Programs Executive of Agency K indicated that their partners would hope to establish long-term partnerships even after funding had ceased. He observed:

“Irrespective of whether funding continues or not, we are committed to establishing long-term partnerships with partner agencies and development clients, which is a consequence of the development *process* rather than the *product*. We therefore continue to work with communities through participatory approaches empowering them to continually address issues that affect them.”

In effect, this aspect was considered to be to the advantage of the aid agency, because through long-term partnerships, follow-up into the long-term impact of development programs could be made with minimal costs to the aid agency.

Fourth, to have regard for their contributions and feedback. Being implementers of development work, partner agencies believed they were best equipped to provide invaluable contribution to inform the development process, that is, to provide feedback on what worked well, what did not and suggestions for future improvements. As noted in their Development Program document, Agency J admits:

“We recognise that having control over the money can certainly be an obstacle to our willingness to learn from our partners and develop genuine

counterpart relationships. But we are also aware that as part of instituting sound development processes and we must be open to comments, questions, criticisms and debate with counterpart organisations, to ensure success in our work.”

Fifth, to conduct impact assessments. National Director of Agency A expressed concern that aid agencies had not been very successful in conducting impact assessments, and suggested that partner agencies were in a most capable position to provide that feedback to their financial supporters.

“The concept of impact assessments is a daunting one, firstly, because it implies a commitment to long-term follow up to determine the results of our work, and secondly because the impact may not always be a positive one,” observed National Director of Agency A. “Third, there are many other positive and negative factors that affect communities making it difficult to directly link our activities to outcomes and impact. We, however, need to find ways of assessing impact. I think one way that might be helpful would be to enlist the support of our partner agencies. Since most of them work in these communities for a long time, they are in a better position to document both the positive and negative impacts of our work, by holding discussions with development clients, community leaders and others.”

Finally, to provide some assurance on the predictability and reliability of the aid. According to Vice President of Agency C, partners expected that aid agencies could provide some assurance that resources negotiated at the start of a funding contract would be available to the completion of the project. This called for some long-term planning and a reliable resource base by the aid agency. While in principle most aid agencies claimed that they attempted to adhere to this requirement, analysis showed that almost 50 per cent indicated that they had not always done so.

One theme that derives from these issues is that it is in the best interests of aid agencies to find ways of meeting the expectations of their partner organisations

because effectively, they would be meeting the needs of the development clients, which is their main objective and part of the goals of development. At the same time they would be meeting their own needs, such as using partners to conduct impact assessments. They would also have the satisfaction of knowing that they are contributing to an effective service delivery process, a message that is crucial in their future fundraising ventures.

(b) Monitoring funds utilisation

Another aspect of ensuring quality of funding arrangements was the ability of aid agencies to monitor that funds were utilised as allocated. To facilitate this monitoring process, aid agencies often funded activities on a project-by-project basis rather than program funding. While there seemed to be consensus that program funding probably offered higher quality funding arrangements in terms of partner agencies' autonomy, flexibility in planning, and having funds at hand when required, it was project-by-project funding, that was preferred and often used. Only five per cent of the organisations indicated they never used project-by-project funding. Eighty-three per cent said that project-by-project funding allocation procedure was usually or always used for their projects. The conditions identified that favoured project-by-project funding included:

- Australian Government grants were given on a project-by-project basis.
- Projects were easier to manage in the sense that their timeframe was more definite, and resources such as funding and personnel could be more readily committed for the duration.
- Projects were easier to monitor and evaluate due to their short-termness.
- Projects were easier to negotiate with sponsors and raise funds for.
- The enormous responsibility placed on partner agencies to manage program funds in terms of planning, decision-making, prioritising needs and addressing the interests of various stakeholders could make program funding a difficult option.

Box 7.1**Why we do not allocate funds on a program basis – National Director of Agency A tells their experience.**

“A partner organisation in India requested that funding be provided on a block-grant basis rather than project-by-project basis. This, they said, would assist them to make long-term plans and decisions on how to spend the money, within reason. Their request was not unreasonable given the proposal they had presented and the fact that we had worked with them for over ten years. We felt confident that they were in a position to manage program activities on their own. This was also going to present us with an opportunity to discover just how much we had contributed to enabling them to stand on their own with little or no managerial input from us. Our ideologies on sustainability and community empowerment were going to be tested, and we felt prepared for the challenge.

They were to start a number of projects – a health centre, a school, digging water wells, and an income-generating venture. They started off with the income generating activity aiming to generate sufficient income to allocate additional funds to the other activities. The entire program was scheduled for implementation over a five-year period. After the first year, their entrepreneurial activities had not been very successful and they had made a lot of losses. The aid agency evaluated the project and gave recommendations as to what changes needed to be made – recommendations that went unheeded during the second year. Further evaluation determined that the reason the situation was not improving was that project leaders had little or no entrepreneurial skills (contrary to what they had indicated in their project proposal document), not to mention personal agendas that conflicted with the project implementation. Cash flow was always a problem, as was planning and book keeping.

A two-week intensive training program was carried out to assist these leaders, and close monitoring done to ensure that necessary business procedures were adhered to. By the end of the third year it became clear that the partner agency was not improving and the program grant was withdrawn. Since the development clients would be the ultimate victims of the failed attempts by the partner agency, the aid agency decided to continue funding the program, but on a project-by-project basis.”

The National Director of Agency A concluded with a tone that spelt disappointment:

“We have always asked ourselves – were the failures contributed mainly by the partner agency or were they the result of poor training and monitoring on our part?”

Even in situations where the aid agency was contracted on a multi-year government (AusAID) funding scheme, or had other reliable sources of funding which allowed for some flexibility in funds allocation, project-by-project funding was still preferred. In the long run, it was considered to offer higher quality funding arrangements, owing to ease of monitoring of expenditure.

(c) Level of administrative burden

An additional measure of the quality of funding arrangements was the level of administrative burden associated with funding. Agencies studied generally agreed that the more complex and time consuming the administrative requirements associated with each funding, the lower the quality of the funding arrangements. To assist in simplifying the administration of aid, 90 per cent of the aid agencies usually or always provided formats for financial and narrative reporting that they expected their partners to use. This standardised and simplified the documentation process for both the aid agency and the partner agency. Eighty per cent of these required reporting at least twice a year.

However, while provision of these formats aimed at reducing the administrative burden, they could in fact result in further burdening the partner agencies, as noted by Overseas Program Coordinator, Agency J.

“Our agency has developed some simple formats to be used for the reporting process. It is, however, sometimes difficult for a partner agency that is receiving funding from many different sources, each with a specific reporting format. The administrative burden can be quite heavy for them. Unfortunately, since the aid agency has to keep in line with the Australian Government’s requirements and standards with regard to accountability issues, there is not much the agency can do to vary the reporting of partner agencies, or allow them to use other formats that they may consider more appropriate.”

In effect therefore, the good intentions of each agency could accumulate to an overall excessive administrative burden on the partner agency.

Submission of financial and narrative reports within the stipulated timeframe was a precondition for disbursement of funds for the subsequent time period. That meant that an aid agency that had a quarterly reporting requirement, for example, also had a quarterly funds disbursement schedule. By tying reporting to funds disbursement, the aid agencies hoped to ensure their partners were not caught up with a backlog of incomplete reports, and that projects were implemented at the partners’ pace.

(d) Duration of assistance to projects

According to the respondents, aid agencies seemed to fall into a number of distinct categories with regard to duration of assistance to projects and programs. These categories were determined by the agency based on different factors. For some agencies duration of assistance was based on their own policies, while for others it was based on availability of financial resources. However, the duration of funding was considered as important in contributing to

the quality of funding arrangements. Generally, the longer the duration, the higher the quality. The 'duration of project funding' categories were:

- (i) *Five- to ten- year duration:* Those agencies that did not rely heavily on government funding, or other sources that provided funds on a single-year cycle, appeared to have flexible and long timeframes on projects. For these agencies, the funding from single-year funding sources generally ranged between 15 and 25 per cent of their total annual budget. Their duration of assistance to projects extended to as long as ten years and sometimes even longer. Agencies A, B, H, J and K were in this category, with agency A extending project funding to almost twenty years in some of its programs.

Within this category, there were agencies that made special provisions for new partners. Aid agencies that were dealing with new partners restricted initial funding to a duration of 12-18 months. The reason was that they needed to take time establishing rapport with the new partner, learn their capability in project implementation, and generally build trust before they could invest heavily in longer-term activities. Agencies A and J made this provision for their new partners.

- (ii) *Three- to five-year duration:* There were those that limited funding to either three-year or five-year duration and did not extend beyond that. For agencies E and F, it was a policy decision to limit project funding to these durations. Even in cases where project circumstances warranted extended funding and finances were available, they were still reluctant to do so.
- (iii) *One-year duration:* Those that relied heavily on funding from government, or other source with single year funding cycles, appeared to have projects whose duration was typically twelve months. The contribution from these sources made up at least 50 per cent of their total annual budget. Their project assistance spanned only one year because funding was availed on a year-by-year basis. Agencies C and G were in this category. In cases

where an agency was involved in a multi-year government funding arrangement, for example, the project duration was normally three years. However, funds were still disbursed annually, upon satisfactory utilisation and reporting on the previous year's disbursement. Also, multi-year funding was only approved in principle, and availability of funds to be disbursed each year depended on AusAID allocation to the ANCP funding scheme.

- (iv) *Three-to-six month duration*: Those that provided on-going technical assistance in terms of training, as provided by Agency L, had projects whose duration spanned three to six months. Some training programs, especially in the health sector, were designed to be conducted in two or three-month blocks over a duration of three to five years. Availability of funds and demand for training determined the scheduling of the training sessions.

- (v) *Undefined duration*: Those that provided non-continuous assistance such as in-kind donations had an undefined duration. The provision of donations such as hospital equipment, clothing, and prescription drugs, as provided by Agency D were dependent on availability. Usually such donations were gathered until there was a sufficient amount, and finances to ship them to areas of need. Hence it was largely an *ad hoc* activity.

These categories were not all exclusive to each other. There were agencies that, for example, provided short-term training sessions to one community, and run a 10-year program in another, or a one-year government funded project in one community and a longer-term program in another.

The aid agencies defined high quality funding arrangements as being synonymous with a longer duration. If these funding arrangements were placed in a continuum to demonstrate the quality, the results would appear as shown in Figure 7.3 below.

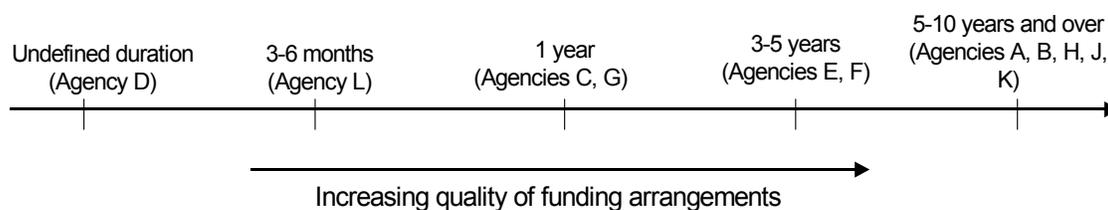


Figure 7.3. Quality of funding arrangements as defined by duration of project assistance

The position label given to each agency represents what was predominantly practiced by that agency. According to Figure 7.3, the non-continuous in-kind forms of assistance represented the lowest quality, while the long-term, flexible arrangements represented highest quality.

However, short funding durations did not necessarily mean the agency was not committed to high quality funding arrangements. An understanding of the factors affecting duration of project assistance (such as the source of funds, policies, and management aspects of aid agencies) was considered important as partner agencies could have realistic expectations from the aid agencies, while at the same time dispelling any fears of abrupt cessation of assistance. These and other factors affecting funding arrangements and service delivery are the subject of Chapter Eight.

(e) Continuity and necessary duration of funding

The issue addressed here was the possibility of continual funding beyond the initially negotiated timeframes, discussed in (d) above, if circumstances warranted it. This issue seemed to enlist contradictory views. On the one hand, some aid agencies seemed to agree that it would probably increase the quality of funding arrangements if continuity of funding could be provided for.

In the words of the National Director of Agency A:

“It would indeed substantially improve the quality of funding arrangements if aid agencies could provide this kind of guarantee for continuous funding. But our circumstances do not favour this. The overseas aid sector is

riddled with a lot of uncertainty regarding continuity of financial support from various sources. It would be impossible for us to assure our partners of something that we ourselves have no assurance of. We are more than happy to keep our contacts with our partners after funding has ceased, and to stay informed of their progress, but that is as far as we can reasonably be expected to go.”

The counter argument was that if partners had a safety net for shortcomings in project implementation, they may not be as tenacious as they might otherwise be in ensuring success in their projects. It was indeed important to provide for some independence from foreign aid for partner agencies in the shortest possible time.

According to Chief Executive of Agency E:

“Guaranteeing continuity of funding only results in dependency and disempowering of recipient communities, and is therefore counterproductive.”

The view taken by Agency E was also based on the fact that the agency was involved in micro-enterprise development whose success was dependent on loan disbursements and repayments. Indefinite funding to a particular group would therefore not be a viable option. From this view, guaranteeing continuity of funding was considered to lower rather than increase the quality of funding arrangements.

Agencies J and K supported the argument by Agency E, but acknowledged that for financial independence of partner agencies and development clients to occur, a long-term funding duration of at least 10 years was required, during which time there would be growth of clients and eventually weaning off the aid.

It was therefore a combination of providing long-term funding (at least 10 years), and facilitating the ‘weaning’ of partner agencies and development clients from the aid that contributed to high quality funding arrangements.

(f) *Likelihood of sustainability of projects*

Closely linked to the continuity of aid was the issue of how likely it was for funded projects to be sustainable. All aid agencies considered high quality funding arrangements as those that promoted and supported the achievement of project sustainability.

According to National Director of Agency A:

“The key issue for sustainability is that projects must have been set up that way right from the initial stage. In other words, the projects must demonstrate how much funding will be provided, how and when that funding will be systematically reduced, and how the partner agencies will take up the financial responsibility for project work. The steps need to be well thought-out, practical and, if possible, tried out in a pilot project. Anything short of that is just not good enough.”

Agencies A and J put this process of promoting sustainability of projects at not less than 10 years. Aid agencies needed to be willing to financially support their partners for at least that long, and to systematically plan for partners to take up the financial responsibility of projects, to reasonably expect that the sustainability issue had been addressed. The concept of sustainability is discussed in detail later in section 7.5.

(g) *Timeliness of funds disbursement*

“It would indeed be beneficial to our partners if we were timely in disbursing funds to them. But this is not always up to us,” noted Program Manager of Agency F. “Timeliness of funds disbursement is a difficult issue to address. Both the aid agency and partner agency have a responsibility to ensure funds are disbursed on time. The aid agency has the responsibility of accessing the required funds, while the partner agency has the responsibility of timely reporting. These two aspects are dependent on each other.”

Sixty-six per cent of the aid agencies indicated that they usually or always disbursed the initial funds within a month of approval of projects. However, subsequent disbursements were contingent on timely reporting by partner agencies, which in turn was contingent on successful implementation of the various phases of projects.

Box 7.2

Timely disbursement of funds – what does it mean?

Program Manager of Agency F explains:

“Timely disbursement should refer to disbursing funds when they are required rather as scheduled in project proposals. This is because situations in the field are not always what we predict them to be. In fact, they rarely are. The reasons for this are diverse. Sometimes the pace of implementation is slow, other times climatic conditions are unfavourable, or the political and/or economic conditions are unstable.

In these circumstances we have to also slow down our disbursement schedule. We need to give our partners an opportunity to work at the pace that is comfortable for the development clients. Our intention is to support our partners to do better at what they are doing rather than rigidly following through on our plans. Once the partner is ready for the next funds disbursement, then they receive it. That way they are not unnecessarily overwhelmed in implementation and accounting for the funds. This kind of funding is both timely and contributes to high quality funding arrangements.”

Ironically, Agency F has had strained relationships with its partners due to its rigid reporting requirements that do not appear to take into consideration the diverse conditions that may affect timely project implementation. This is another indication that while aid agencies appear to understand aspects of good

development assistance practices, such an understanding did not always translate into practice.

(h) Appropriateness of funding arrangements

Appropriateness referred to the extent to which aid objectives, activities, outputs and outcomes matched the needs and priorities of partner agencies.

“Appropriateness of the aid provided is determined by whoever sets the aid agenda. Both the aid agency and partner agency have an agenda they would hope to address through the aid chain. They may both consider funding arrangements as being of high quality when their expectations are realised,” the Overseas Program Coordinator of Agency J observed.

Agencies A and H indicated that they did not initiate any projects at all, but left it to prospective recipients to make requests. The partner agencies usually set the agenda for what was to be done, hence ensuring the aid delivered was appropriate for them. They also did not have any tied aid, that is, aid that restricted the procurement of goods and services to Australia.

The Vice President of Agency C, an agency that relied heavily on government funding acknowledged that their funding was not always appropriate, as they tried to match the needs of their clients with the interests and priorities of the government.

The Administrator of Agency G also noted that their funding arrangements were not always appropriate.

“We specialise in micro-hydro-electric power generation. We visit communities that are in need of proper sanitation or access to water, but we are unable to assist them in these areas. Of course they would not like to miss out on the power generation projects, so they participate in these, but that may not be their priority at the time. This is not always the case

though. There are places where the power projects are a priority. But our specialisation in power generation, coupled with the AusAID requirement that we spend our allocated funds within a stipulated time frame, limits our ability to reach people at their point of need” (Administrator, Agency G).

Agency D that provided in-kind assistance only – clothing, school books, medical supplies and equipment acknowledged that the provision of such tied aid resulted in poor quality of assistance, as the development clients did not participate in determining what, when or how much was provided. Agencies A, E, H, J and K too considered this form of aid as inappropriate and therefore of very low quality. They therefore did not engage in it and noted that this form of aid should only be provided in emergency situations.

Figure 7.4 below summarises the components of the project implementation process.

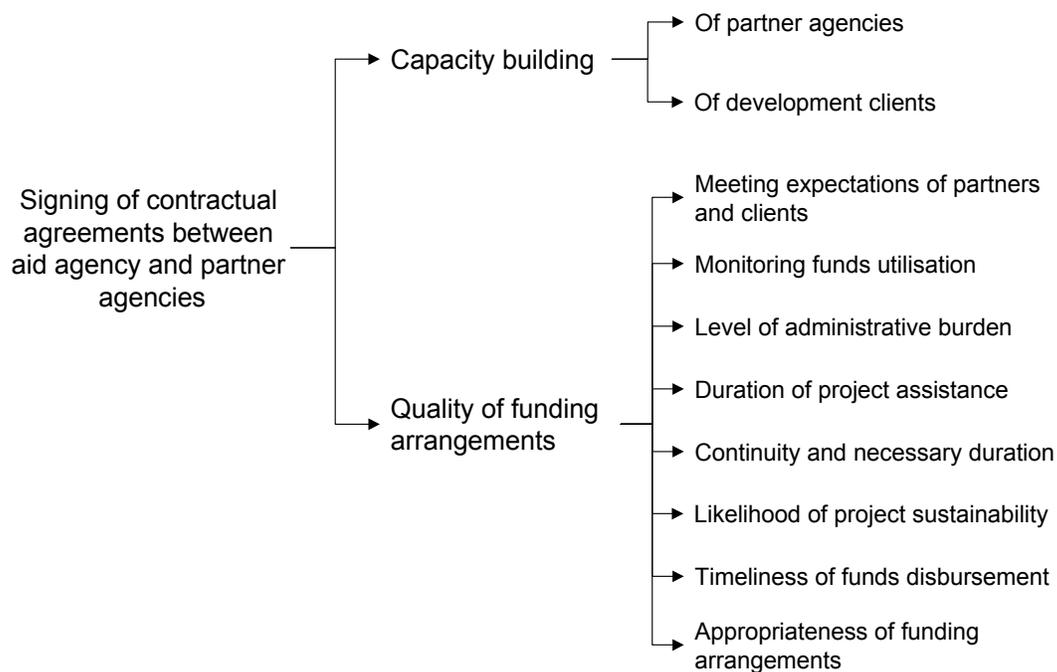


Figure 7.4. Components of the project implementation process

From the findings presented, it is apparent that the quality of funding arrangements was represented by many factors, and varied views. As a prerequisite, the implementation process generally commenced with the signing of contractual agreements – to establish the responsibilities of each agency.

During the process, capacity building of partner agencies and development clients was facilitated, and as far as was practicable, high quality funding arrangements were pursued, all aimed at increasing the probability of a successful project implementation process. The successful implementation of projects was one component that contributed to the achievement of the development goals of aid agencies by meeting the needs of partner agencies and development clients – those of alleviating poverty and promoting sustainable development.

7.4 Program Monitoring, Evaluation and Impact Assessment

Together with determining the process involved in the implementation of projects, the study also examined the processes of monitoring, evaluation and impact assessment of projects. The respondents' view of the meaning and role of monitoring, evaluation and impact assessment implied different processes of conducting these activities.

7.4.1 Monitoring

Monitoring was defined as an ongoing exercise aimed at assessing the level of progress of a project relative to plans. Some of the ways in which it was carried out included the frequent reporting by partner agencies and development clients on the progress of activities, such as on a monthly or quarterly basis. Regular visits to project sites were also made. Aid agency staff held informal discussions with community groups to establish how well a project was progressing. In some cases aid agencies used methods such as specialist data collection instruments, to measure aspects such as waiting times for patients at a clinic or hygiene standards, and recipient surveys to elicit their opinions about the quality of services they received.

Due to its frequency and short duration, monitoring generally involved the gathering of quantitative project output data, such as the number of patients treated, number of training sessions conducted and number of participants in attendance, and income generation of a micro-enterprise credit scheme, or loan repayment rate. However, qualitative data was also gathered where it was considered appropriate and practicable.

The respondents considered an on-going monitoring process as important because it provided information that was useful in establishing the extent of project progress against plans, and where necessary, redefining the course of action of projects. It also helped in identifying and addressing any drawbacks in implementation, and determining the appropriate timing of funds disbursement.

All the agencies studied (with the exception of agency D that provided in-kind assistance only) indicated that they conducted some form of monitoring of project activities. They mainly depended on their partners to monitor activities and report accordingly – some on a monthly basis, others on a quarterly basis. Agencies that had program country offices, however, used their staff in those offices to visit project sites and assess progress.

7.4.2 Evaluation

There were two parts to the evaluation process – the evaluation of projects, and the evaluation of the policies and practices of the aid agency.

(a) Project evaluation

Usually conducted during, and at the end of a funding period, evaluation was viewed as the process that provided information regarding a program's worth and overall effectiveness.

The evaluation process included the gathering of qualitative data on project outcomes to supplement and elaborate on the quantitative data gathered during the monitoring process.

At the end of each funding year, data were gathered to include aspects such as community involvement in a project, satisfaction of development clients with the project, progress of project implementation relative to plans, and to also identify areas for future improvement. Needless to say, if the project funding duration was one year or less, this form of evaluation usually was defined as the *end-of-funding* evaluation, such as for agencies C, G and L. For other agencies – A, B, H, J and K the annual evaluation was defined as the *intermediate evaluation*. It provided useful information on the successes that had been achieved in the implementation process as well as amendments to be made during implementation activities in the following year.

Although agencies E and F had multi-year project funding arrangements, they did not appear to have the intermediate evaluation. Agency D did not have any activities that could strictly be categorised as evaluation activities.

At the end of the funding period, the agencies conducted the end-of-funding or *summative evaluation*. Depending on the funding arrangements of the agency, this evaluation served different purposes. For agencies A, B, J and K, that had multiple funding cycles per project, this evaluation was conducted at the end of each funding cycle, to provide useful data to be used in the next cycle. For agencies E and F that had only one cycle, the evaluation information was used in other projects.

The data gathering process included visiting project sites and conducting informal interviews with development clients and community leaders, and formal interviews with staff of the partner agency. The agencies studied also indicated that they often contracted external evaluators for the evaluation exercise. External evaluators were considered useful in enhancing the credibility of findings, as they were more likely to provide objective reporting.

The objectives of the evaluation process were to:

- Provide a true and bigger picture of the services offered by an agency, and how they were intertwined with each other;
- Identify major problems or concerns in the project in general;
- Identify lessons learnt through the project implemented, that may be useful in the future – either in other projects, or in future cycles of the same project;
- Design country-specific project management training for staff of partner agencies;
- Determine whether to refocus, diversify, modify, upgrade or cease further funding.

Given the rigour of the evaluation activity, 72 per cent of the agencies indicated that usually or always they provided guidelines to partners with regard to the expectations of an evaluation exercise. This helped them to constantly assess their performance against the criteria, while at the same time preparing them for the evaluation exercise.

Agency K had a Project Monitoring Committee that had the responsibility of ensuring minimum standards of monitoring and evaluation were maintained and upgraded. The Program Review Committee of Agency A had a similar function.

However, not all projects were subjected to a rigorous evaluation exercise. According to National Director of Agency A, their projects were categorised into three groups and this had implications for evaluation.

“Projects of Agency A may be categorised as small, significant or major. Small projects are defined as those that receive a one-off funding of less than A\$10,000. For these, on-site evaluation is not considered necessary, and reports usually suffice for evaluation purposes. Significant projects are those that receive an annual grant of A\$15,000 or more on a continual basis. For these, on-site evaluation is conducted every two years by staff from both the donor and partner agencies. The major projects usually receive an annual grant of A\$100,000 or more annually. These are also

long-term projects that are evaluated every two years by agency staff, and every five years by external evaluators. The evaluation reports of the significant and major projects are reviewed by the agency's Program Review Committee to determine the future course of action."

Given the functions of evaluation as defined by the agencies, agency D did little in terms of evaluation. The assessment of its project work was mainly confined to monitoring. The agency engaged in short-term *ad hoc* activities that did not justify incurring the costs of an evaluation exercise.

(b) Policy evaluation of aid agencies

As a matter of good governance, aid agencies had a responsibility of assessing their own policies to determine if they were appropriate and relevant to partner agencies and the entire process of development.

According to the Development Program document of Agency J:

"Our agency regards self-evaluation, as essential for effective service delivery. We are therefore constantly reviewing our policies to ensure they meet standards of best practice."

Overseas Program Coordinator of Agency J noted that the success or failure of project implementation was one way of assessing their own policies. As such, during the evaluation exercise they encouraged partner agencies to let them know what aspects of implementation could have been done better or differently.

However, Agency J admits that this was not always an easy thing to do.

"First, the partner agencies may be reluctant to voice their concerns for fear that it might cause tension with their funders, and they risk losing future assistance. Second, aid agencies tend to be defensive about their position and that might be intimidating to partner agencies. Third, the

predominant resource transfer role of aid agencies tends to colour their perception as to what is really important in service delivery in particular and development assistance in general. Unconsciously sometimes, they see their ability to raise funds for project work overseas as being their main goal, and miss the importance of the contribution that their policies make to the entire process” (Development Program Document, Agency J).

Agencies A, J and K also acknowledged the importance of policy evaluation, and had committees charged with this responsibility.

“We always reflect back to what we have done, to see what we have done well and what has not been done so well. In reviewing our experience with our Indian partner agency, for example, (presented in Box 7.1), we often asked ourselves where we went wrong” (National Director, Agency A).

But policy evaluation goes beyond assessing project outcomes. Agencies reflect on their entire policy documents assessing each policy against both project outcomes and their own mission and vision. Agencies A, E, J, and K indicated that they conduct policy evaluations every four to five years, as they develop strategic plans for the future.

Agency J admitted that policy evaluation had led to improved service delivery, and noted with astonishment:

“In retrospect, we cannot believe how ‘off target’ we were in some of our policies. I think the first policy issue to be changed after almost twenty years was one regarding duration of project assistance – where we initially supported partner agencies and development clients for only three years. Having learnt a lot about project implementation and sustainability, it is evident that a three-year funding phase was too short to make a lasting impact, especially with regard to ownership and management of projects by development clients. We now extend project funding to at least ten years, sometimes more.

A second policy issue to be addressed was with regard to new partners. Experience had shown that it cannot be assumed that new partners are as competent in project management as their project proposals may suggest. That is why we have the 12-18 months initial trial period to interact and learn our new partners before investing in long-term projects. During this time we build trust in each other and also identify our weaknesses and expectations from each other. Addressing these issues at the beginning of a partnership goes a long way in ensuring smooth and long-term partnerships can be developed.”

But Overseas Programs Executive of Agency K noted with disappointment that aid agencies did not conduct policy evaluations nearly as much as they ought to. About 37 per cent indicated that they never or only sometimes engaged in policy evaluation.

7.4.3 *Impact Assessment*

Impact assessment was defined as the measurement of the long-term effects of project work, usually after funding had ceased.

In order to plan for impact assessment, the aid agency had to identify (during project design) what they hoped the future consequences of a current project would be. This informed the process of identifying indicators for assessing impact. These indicators would then be used at the appropriate time.

The underlying objective of aid — poverty alleviation and sustainable development was assessed. The assessment included aspects such as assessing the standards of living of the communities, evaluating the general economic status of the people and their quality of life, and comparing these standards with those that existed before the projects were carried out.

Agency K indicated that impact assessment of projects was part of its management process.

Agency J was also attempting to find ways to assess the impact of their work. According to one of their publications:

“Although we have evaluated our work for many years, we are now exploring the meaning of impact in the broadest sense. Over time we hope to develop systems to more accurately measure the long-term impact of our work, as well as the efficiency of our operations as an agency. This will in turn lead to changes in the way our agency is structured and the way we work.”

In general, however, it was acknowledged that impact assessment was difficult to carry out. The long duration between project implementation and impact assessment meant that the aid agency could not reasonably be able to assess whether the impact observed on development clients was as a direct result of its work. The other constraint was that resources to conduct such an assessment were often not available. This is why the long-term partnerships (discussed in Section 7.3.3(a)), would be quite beneficial to aid agencies. Through maintained partnerships, they would be able to get regular feedback over a long duration and possibly trace how their activities and inputs had impacted on the development clients.

The process of assessing the worthwhileness of projects could therefore be seen as occurring in three successive steps, and the decision to conduct each kind of assessment was mainly determined by the size of the grant, the duration of funding and the objectives of the assessment exercise.

Figure 7.5 demonstrates how this process occurs and the kind of information gathered at each step.

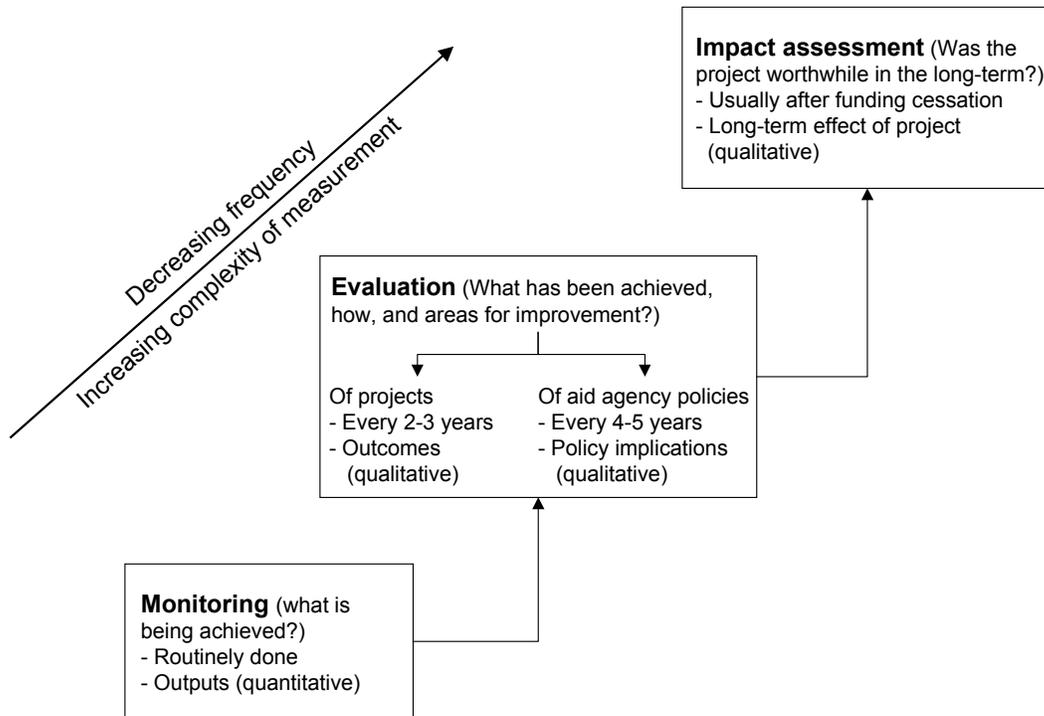


Figure 7.5. The evaluation process

According to Figure 7.5, the steps from monitoring to impact assessment are not only successive, but are demonstrated as hierarchical – to show the increasing level of complexity in terms of data gathering or superiority of assessment. In other words, the data at the monitoring step is answering the basic question – what is being achieved? At the evaluation step, the question being answered is – what has been achieved, and how has it been achieved? How can it be improved upon? At the impact assessment step, the ultimate question is – so what? What is the ultimate effect of the project? Was it worthwhile in the long-term?

7.5 Program Sustainability

Program sustainability and sustainable development in general was identified as an underlying theme in service delivery and one of the major goals of development assistance. There seemed to be consensus though, that program sustainability is an ideal that all aid agencies aim for, and not a goal many can

claim to have succeeded in achieving. They viewed it as a long-term process, in which they were constantly reviewing their progress in reaching that ideal. National Director of Agency A noted:

“The ability of aid agencies, and indeed anyone, to predict the future is limited, so sustainability can only be viewed very broadly and with an open mind.”

7.5.1 Defining Sustainability

Respondents identified sustainability as occurring at three levels—sustainability of benefits to the community, sustainability of future recurrent costs associated with the project, and sustainability of institutional capacity building of the development clients. Sustainable development was defined as a general decreased dependency on external funding. To promote the achievement of sustainability at these levels, a number of strategies were considered important to undertake. These are presented below.

7.5.2 Strategies to Promote Project Sustainability

Respondents identified a number of strategies that could be used to promote project sustainability. These strategies needed to be incorporated in all the aspects of the project cycle — project identification, planning, implementation and evaluation. Projects that aimed at promoting sustainable development needed to include numerous components.

As a preliminary requirement, the objective of sustainability needed to be incorporated at the planning phase of the project. It was necessary that sustainability as an objective and a goal formed part of the project goals. The second part of the process was to plan for development clients to receive continuous, consistent funding for a period of at least ten years. The funding arrangements were to be such that financial assistance decreased at an increasing rate over that time. Agencies A, B, J and K used this strategy.

Third, aid agencies had to take some responsibility for promoting the sustainability of the projects they funded. As Overseas Programs Executive of Agency K explained:

“It is not enough to let a partner agency know that their activities will be funded for ten years. We need to work with them to address the issue of sustainability over that ten-year period. We need to be asking ourselves questions such as: When shall we start decreasing our funding to our partners? How will our partners take up that financial responsibility? What should our role be in ensuring that they are able to be more financially independent? What shall we do in the event that our sustainability strategy proves more difficult than anticipated?”

Often times we as aid agencies do not treat our partners fairly in this regard. We do not assist them to be sustainable. We simply lay down our conditions, and even when these are not met, we still pack our bags and leave after our funding period is over. So they just move on to another prospective donor, hoping to get some funding to continue with their work, and never really learning how to be sustainable.”

A fourth component was that aid agencies built the capacity of partner agencies and development clients. Development clients needed training in project management and maintenance. Capacity building for partner agencies included training in project design, implementation and evaluation as well as governance and management of their agencies. Ninety-three per cent of the agencies indicated that they usually or always conducted some form of capacity building activities for their partners.

As an outcome of capacity building, the process of project identification, implementation and evaluation of projects would be conducted in a participatory manner, allowing development clients to provide important input and constructive criticisms that would promote project success.

In addition, development clients were encouraged to contribute time, materials, local knowledge, and where possible mobilise financial resources to support their own project work.

“An important point for aid agencies to bear in mind as we “discover” development clients and work with them is that their lives have been going on, and will continue with or without our support. We should therefore not behave as if we hold their destiny in our hands. Our role should be that of facilitating them to do whatever it is they are already doing or hoping to do (Vice President, Agency C).”

Another anticipated outcome of capacity building was that hopefully aid agencies would be more inclined to develop partnerships with development clients and partner agencies as opposed to the predominant giver-receiver relationship that currently exists. In partnerships the voice of development clients is heard, their participation encouraged, and their feedback valued. These partnerships empower local communities and provide invaluable input into the success of projects (Agency H, 1998/99 *Annual Report*).

Fifth, aid agencies had the role of facilitating partners and clients to take over the recurrent project costs, possibly through facilitating on economic activity to improve the economic status of development clients.

Sixth, the use of locally available technology and materials was encouraged. This helped to keep project costs low, maintenance costs manageable, and the technology/materials used were also acceptable within the framework of the traditions and culture of development clients. Ninety-five per cent of agencies indicated that they usually or always encouraged and promoted the use of local materials and technology in projects. However, the use of local materials ought to incorporate sound environmental practices that serve to maintain or restore the natural resource base (Agency A, Agency Profile Document).

Seventh, the involvement of the government in which a partner agency was based, was considered important. Such involvement did not have to be very

elaborate and often entailed consultations only. However, a show of acknowledgment and appreciation of government officials was beneficial in building and maintaining relationships in the community, and also leaving some of the oversight responsibility to them. Thirty-eight per cent of the agencies indicated they usually or always used this strategy.

The eighth component was the need to take into consideration external factors that could affect sustainability, such as the political and socio-cultural circumstances of development clients. Such consideration and analysis was useful in anticipating threats to sustainability, and therefore planning accordingly.

A ninth component that was mentioned by one respondent was for aid agencies to encourage an “investment” of their funds. Agency 012 explained in their Profile document:

“Our view is that services should continue to be provided for as long as they are required. Donor funds are considered an investment, to invest in long-term sustainable services for low-income marginalised communities. They are used as start-up or expansion funding rather than the source of income to depend on over a long time. Donor funds are used to start a range of projects and introduce services both in areas with very poor communities and in those of middle-income communities who may have some form of financial stability. Income generated by charging a minimal fee for services to the middle-income communities is used to subsidise the services of the very poor communities until they are in a position to pay for the costs of services. This whole process takes 6-10 years and we then go to new communities and start the process again.”

However, the complexity of this process and the possible risks associated with it, such as the possibility of not getting the anticipated returns, meant that it needed to be very carefully thought out and planned for (Respondent 012).

A final component was the need for development clients to involve the different demographic groupings in the community especially the younger generation and the women.

“The mortality of community leaders is one reason why projects lapse after a while, or altogether cease. Usually it is the old people left in the villages who initiate projects. We work with them and get projects running. However, after a while, they are too old to maintain the projects. We need to incorporate younger people and encourage them to take up leadership positions in their own communities and take responsibility for project work. In addition, women are particularly tenacious in development work and their contribution and participation is important to acknowledge and encourage” (Vice President, Agency C).

Agency F also gives priority to gender issues – about 50 per cent of all their funding goes to women and girls’ projects, due to the significant contribution that such a focus is likely to make in poverty reduction and sustainable development.

Eighty-six per cent of respondents to the mail survey indicated that they usually or always attempted to promote gender equity in development work. However, respondent C noted that there were socio-cultural issues involved in community leadership, thus the issue needed to be approached with sensitivity to ensure positive relationships between the different demographic groups were nurtured.

As seen from this list of strategies, aid agencies do have a large responsibility in ensuring the sustainability of the projects that they support. It is not only in keeping with good governance and management of the agency, but they derive satisfaction from the knowledge that development clients continue to benefit from projects they have supported, even long after the funding has ceased. As such, sustainability is a worthwhile ideal to continually pursue.

Overseas Program Coordinator of Agency J noted:

“We have on occasion visited projects that we have supported in the past, and the most rewarding experience is to see development clients independent, happy and appreciative of the contribution we made in helping their projects come to life, and for them to continually derive benefits from such projects.”

7.5.3 Indicators to Measure Sustainability

Aid agencies indicated that they identified some measure of success in achieving sustainability when there appeared to be a sense of ownership of projects by development clients and a willingness to take up the leadership of projects. Development clients were also able and willing to volunteer their resources – finances, material and time – to manage projects and ensure their success.

Another indicator of sustainability was that development clients were able and willing to move to higher level projects. An example was moving from basic needs of food, water and shelter, to higher level activities such as skills development. Progress towards sustainability was also evident when communities were able to cover the recurrent costs of projects and continually benefit from them.

Sustainability was also identified when the management and leadership capacity of the local institutions was maintained and enhanced. This was achieved through the training of younger leaders (both women and men) by the older more experienced ones.

The presence of these indicators not only marked the successfulness with which services had been delivered, but also that the development clients had reached a level of maturity that did not require heavy dependence on external funding. Ideally, this would be the point at which an aid agency would withdraw further financial support. However, as has been discussed throughout the service delivery process, not all agencies reached this point with their clients, and financial assistance often ceased long before this level of maturity could be

realised, sometimes due to decisions made by the aid agency, and sometimes due to conditions not within their control.

Figure 7.6 summarises the levels of sustainability, strategies and indicators for measurement discussed above.

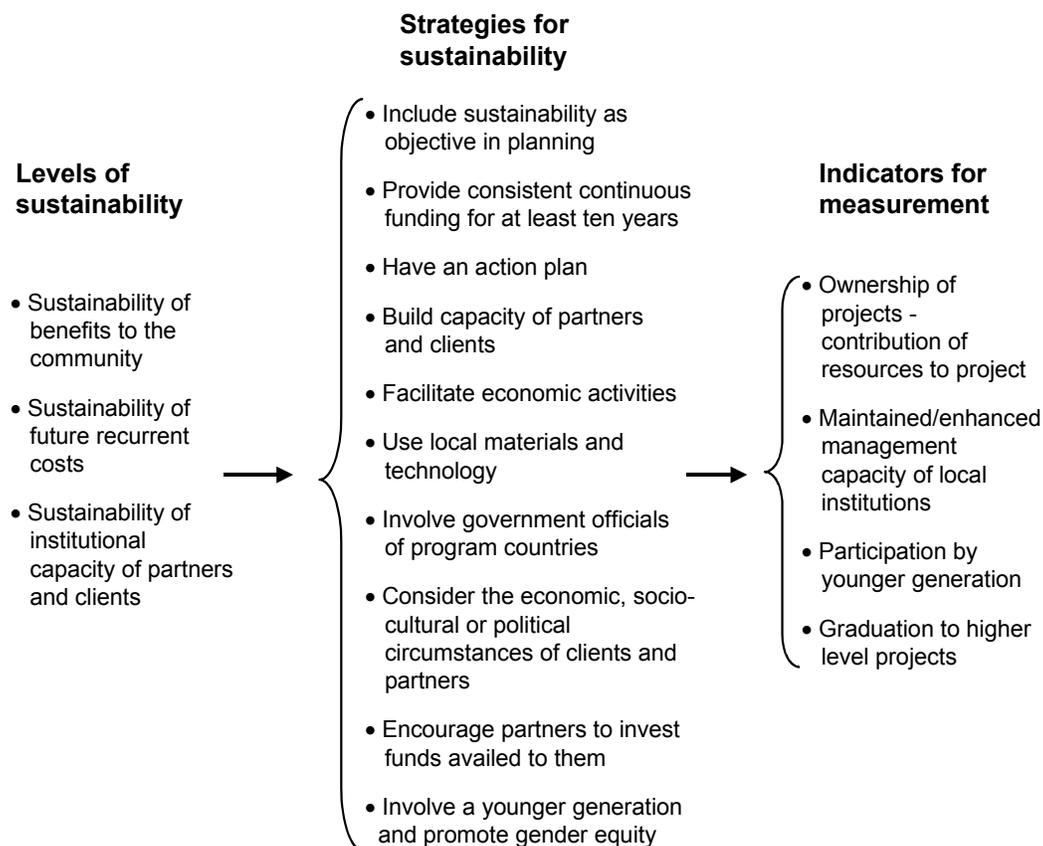


Figure 7.6. Project sustainability process

Achieving sustainability at the three levels was a significant contribution to achieving the goals of development assistance, which aimed at a sustained improvement in the wellbeing of development clients over the long-term.

In summary, Figure 7.7 presents the entire service delivery process, showing the relationship between the steps involved, and position of the key players.

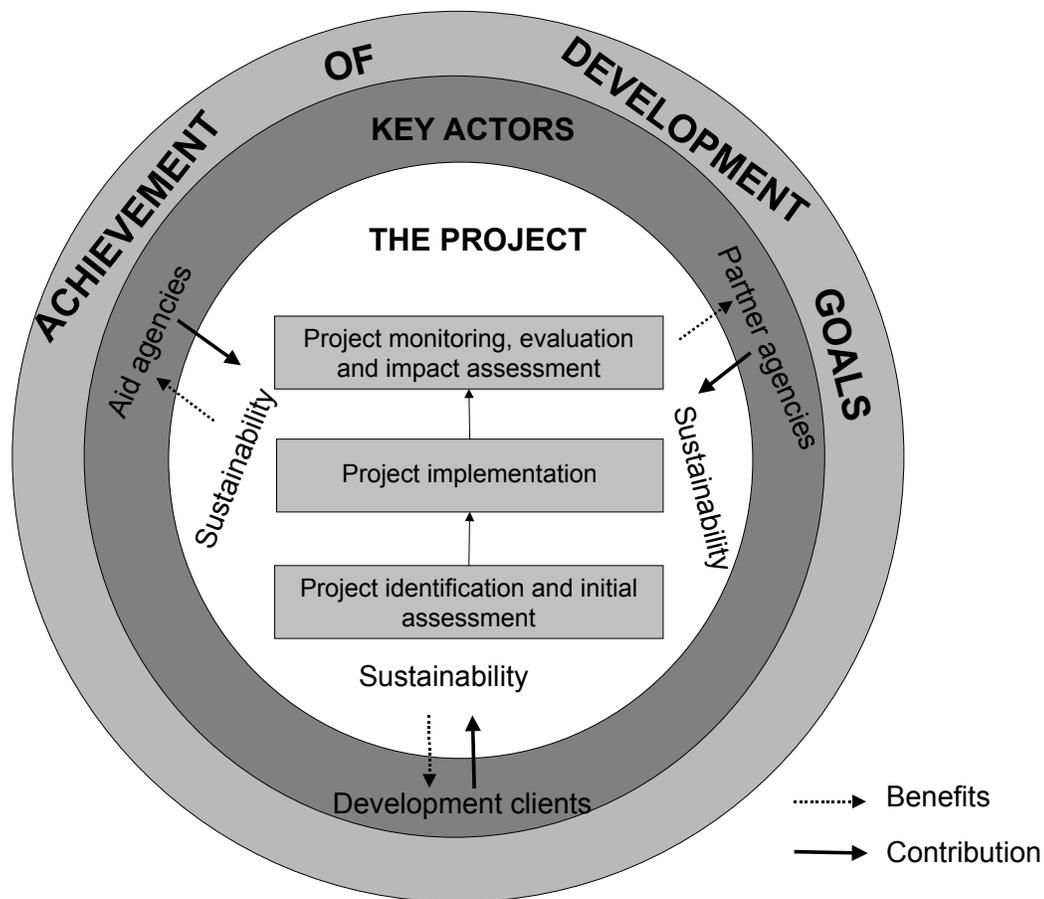


Figure 7.7. Service delivery process showing key activities and actors

At the centre are the steps in service delivery, with sustainability being built in throughout the steps in the process. The success of the project is dependent on the significant contributions of each of the three main actors, development clients, partner agencies and donors, and the input of each actor should not be undervalued. In return, all the actors derive satisfaction and benefits from a successful project as their goals are realised and they graduate to new areas. The ultimate development goal, of which the service delivery process is a part, is the improvement in the wellbeing of the clients in developing countries, through the various activities and relationships.

7.6 Conclusion

The objective of this chapter was to provide a description of the service delivery process and to demonstrate the relationship between the process and achievement of development goals, in response to the first research question:

What is the relationship between NGDO organisational processes and the achievement of their development goals?

Through the coding of data and generating key themes, the service delivery process was identified as the core variable of the study. This process presents the central theme of the study as demonstrated in the theoretical framework in Chapter Five. The data have been used to inform and structure this process into a series of interrelated steps, with key actors and outcomes as demonstrated in Figure 7.7.

There are underlying themes that run through the descriptions and generally apply to aid agencies irrespective of their individual differences. These are that first, the involvement of partners and clients in all phases of the service delivery process was essential to the achievement of development goals. Second, the service delivery process was one way of achieving the development goal of poverty alleviation and sustainable development by providing for the sustained wellbeing of clients. The ultimate indicator of good service delivery was in the benefits to and satisfaction of development clients.

However, as is evident from the findings, there is much variation between the agencies regarding process description. These variations provide some insights into patterns of behaviour, as a way of identifying general principles and practice which leaders and managers of aid agencies regularly use. The objective of the following chapter is to uncover the variables and conditions that give rise to the variations so that they can be theoretically accounted for (Glaser 1978), and identify principles of good development practices with regard to the process of service delivery.

CHAPTER EIGHT

ORGANISATIONAL FACTORS INFLUENCING THE SERVICE DELIVERY PROCESS

8.1 Introduction

The conclusion reached at the end of Chapter Seven was the significance of the conditions or variables that account for the variations in the service delivery process of different aid agencies. The understanding of these variables is important for building theory on the service delivery process, and for identifying conditions that make a meaningful contribution to successful service delivery.

In order to analyse the organisational variables and conditions influencing service delivery, respondents were asked to identify factors that had positively or negatively contributed to the process. The information provided has been used to develop the analysis presented in this chapter.

Aid agencies identified different organisational conditions or variables that accounted for differences in the service delivery process. These factors included agency policies, the age of the organisation – drawing out issues of expertise and learning that had been acquired over the years, fundraising and service delivery strategies, and the size and structure of the agency. Other factors were the key competencies of the agency, and management practices employed by the agency – strategic management versus short-term *ad hoc* styles.

The chapter analyses the influence of each of these factors on the process of service delivery.

8.2 Organisational Factors and Service Delivery

Based on the data analysis, the organisational factors affecting the service delivery process have been grouped into five categories. These categories are:

- Policy – general guidelines;
- Strategy – an overall plan of action intended to accomplish goals;
- Structure of the agency;
- Fundamental working principles of the organisation – the underlying philosophy;
- Situational factors – contingency factors such as the age of the agency.

8.2.1 Aid Agency Policies and Service Delivery

Policies were generally understood to mean the general guidelines that set the boundaries of operation of an agency, for example:

‘The agency does not fund programs for more than three years’.

The policies determined scope of outreach, size of agency, structure and strategies employed. Various policies were in force in different stages of the service delivery process. At the project identification and initial assessment stage, some of the policies of aid agencies included the decisions made at each step of the process as shown in Figure 7.2, such as on the areas to provide aid to, and how that aid would be provided. These were based on among other variables, the mission of the agency, the key competency areas and/or availability of financial resources. Policy decisions also included the duration of assistance, and the types of projects to engage in – such as short-term training sessions, in-kind assistance, or longer-term projects in a single or multiple development sectors, or a combination of some or all of these.

At the implementation stage, some policies included the signing of contractual agreements, building the capacity of partner agencies and development clients, and the funding arrangements to institutionalise. At the monitoring and evaluation stage, policy decisions included determining when, how, by whom, and under what conditions the monitoring and evaluation activities would be conducted.

Policies were considered important because they guided the agency through the phases of project management. They articulated an organisation's purpose and mission and guided the agency's overall direction. As an organisation grew in size and geographical coverage, policies were particularly important in guiding the decisions of those located far away from the policy-making body of the agency (National Director, Agency A).

The downside of policies though, was in their rigidity. They took a long time to change, and sometimes a lot of input and discussions before sufficient and convincing evidence could be provided to change them. In the meantime, however, project staff, development clients and partner agencies could continue to suffer owing to inappropriate policies. The admission by Agency J that it took almost twenty years before they acknowledged the fact that a three-year duration of project assistance was too short to facilitate their objective of project sustainability, and changed that policy, was a case in point. This policy not only missed the point of achieving sustainability, but many resources were wasted along the way.

8.2.2 Strategies and Service Delivery

Aid agencies instituted a number of strategies to facilitate the achievement of their service delivery goals. Such strategies were grouped into two main categories – resource mobilisation (gathering of inputs) and service delivery (discharge of outputs). This section reviews how these strategies were formulated and implemented and how they influenced the service delivery process.

There are multiple resources that need to be mobilised for service delivery, primarily financial and human resources. The predominant financial resource transfer role of aid agencies, however, places a great emphasis on the mobilisation of financial resources. The scope of the present study has therefore been limited to this aspect. The following section focuses on how these resources were mobilised and how the various fundraising strategies affected service delivery.

8.2.2.1 Fundraising Strategies and Service Delivery

Section 7.3.3 dealt with some funding arrangements instituted by aid agencies to enable the program implementation process. These funding arrangements were in most cases a consequence of the fundraising strategies used by the aid agencies.

The choice of strategies used to raise funds was based on three main factors identified by respondents. First, the effectiveness of the fundraising strategy that is, its ability to raise income that met or exceeded budgetary projections. Second, the conditions attached to the funds, that is, the contingency factors regarding funds utilisation and third, the reliability and commitment of donors, in terms of honouring their pledges, and providing some continuity and predictability in future funding.

The following section presents the main fundraising strategies used by aid agencies, and assesses how each strategy compares against the above three criteria, and the subsequent effect of each strategy on the service delivery process.

Various agencies relied on different strategies to raise funds. Table 8.1 below provides an overview of the percentage number of aid agencies that raised income from the various sources and the proportion of income raised from each source, as evidenced from the mail survey.

Table 8.1 Distribution of income for 1998/99 by source and proportion showing percentage number of agencies in each category (from mail survey)

	Percentage income (%)							
	None	1-5	6-10	11-20	21-30	31-50	51-75	> 75
Income sources								
Individual donations & gifts	-	16	11	11	2	11	25	23
Bequests and legacies	43	39	7	7	5	-	-	-
AusAID grants	16	11	7	11	9	25	11	9
Overseas agencies	50	30	2	7	2	2	2	5
Corporations	52	28	9	5	2	2	2	-
Investments	46	41	11	-	-	2	-	-

Table 8.2 below shows the fundraising strategies used by respondents and the proportion of income from each source, as reported during the telephone interviews. For easier reference, the table has been divided into two – Table 8.2 (a) showing the results of agencies A – F, and Table 8.2 (b) showing the results of agencies G – L.

Table 8.2 (a) Distribution of income for 1998/99 by source and proportion (in percentages) (Agencies A – F)

Income sources	Agencies					
	A	B	C	D	E	F
Individual donations & gifts (general appeals)	79%					95%
Direct mail		20%		100%	10%	
Child sponsorship		60%				
In-kind donations			50%			
AusAID grants	15%	20%	50%	-	20%	-
Overseas agencies	5%	-	-	-	10%	-
Corporations	-	-	-	-	60%	-
Investments	1%	-	-	-	-	5%

Table 8.2 (b) Distribution of income for 1998/99 by source and proportion (in percentages) (Agencies G – L)

Income sources	Agencies				
	G	H*	J	K	L
Individual donations & gifts (general appeals)	10%	11%	53%	14%	
Direct mail					83%
Child sponsorship		59%			
In-kind donations	25%				17%
AusAID grants	65%	25%	31.5%	11%	-
Overseas agencies	-	-	7.5%	73.5%	-
Corporations	-	-	6%	1.5%	-
Investments	-	2%	2%	-	-

* Agency H raises 3 per cent of its income through designated projects' appeal

8.2.2.1.1 Individual donations and gifts

Fundraising from the Australian public was through regular donations and one-off gifts. Specifically, the following main strategies were used to raise resources from individuals.

Development education and awareness: People were educated on the role and significance of overseas aid and encouraged to get involved. Agency A identified this as a very effective strategy in fundraising.

“By keeping existing and potential donors well-informed of both the importance of overseas aid and the significance of their individual contributions, they are more inclined and motivated to continue supporting overseas aid work” (National Director, Agency A).

“Development education has proved to be our most effective strategy in fundraising. Through education, we create awareness in the Australian public on what international development entails, and the contribution our organisation is making. We also let people know how they can and why they should get involved. Once they are informed, they can give using whichever means they are most comfortable with, to any of our multiple projects. Through development education we have had an annual income growth rate of 10-12 per cent per annum over the last ten years. During the 1998/99 financial year our income exceeded expectations and budget projections” (National Director, Agency A).

Agency A produced at least five different kinds of educational material for this purpose, targeted at different audiences.

Direct mail appeals: This strategy involved writing personalised letters to existing and prospective donors. Agencies B, D, E and L used this as one of their approaches.

“Direct mail is a low-cost fundraising method, and with well-written letters and update reports, existing donors can be convinced to become regular givers and the lapsed donors to renew their giving. New donors can also be added to the database. The key is to be personal in making appeals” (Administrator, Agency D).

The Chief Executive of Agency L appreciated the significance of the direct mail appeals strategy, which positioned their individual contributions and donations at 83 per cent of their total income in 1998/99.

“We have a small but committed pool of regular contributors to our work. We keep in contact with our three hundred regular givers, who make monthly, quarterly or yearly contributions, while another five hundred are more or less one-off givers. However, with these contributions, we are able to meet our financial obligations to our development clients” (Chief Executive, Agency L).

Child sponsorship programs: These programs entailed sponsoring one child per family in communities identified by an aid agency. Although there was a special focus on children, the aim was to assist entire families and communities in which the children lived. For Agencies B and H, child sponsorship provided their main source of revenue.

According to Chief Executive of Agency B:

“In terms of effectiveness, child sponsorship remains at the heart of our fundraising strategies. Its potential to personalise gifts and have a direct link with development clients seems to make it particularly appealing to current

and potential supporters. We are able to raise 60 per cent of our income using this method. Even with the mortality of child sponsors, which is approximately five per cent per annum, we are still able to meet our financial obligations. It is an effective, regular, reliable, predictable, continuous and long-term source of income, and we can thus serve development clients with the same level of continuity, reliability, predictability and long-termness.”

Respondents identified membership contributions, subscriptions and contributions to designated projects, as other fundraising methods from the Australian public.

Membership contributions and subscriptions: Some agencies invited other organisations or individuals to become members thereby gaining access and privileges to a range of resources and being involved in decision-making and project work of the agency. Twenty per cent of the agencies indicated that they raised an average 20 per cent of their annual income through membership contributions. Subscriptions to regular publications also featured as an important way to raise funds for fifteen per cent of the agencies.

Designated projects: Particular campaigns and other special events were organised annually by Agencies 011 and 068 to raise funds for specific projects, and raised up to 30 per cent of their income. Agency H raised 3 per cent of its income in this way.

Overall, 48 per cent of the agencies received over 50 per cent of their income using one or more of the above methods (Table 8.1). Also included in fundraising from the Australian public were bequests and legacies, although this did not form a significant part of most agencies’ income. Nineteen per cent of agencies received more than five per cent of their income from this source, while 43 per cent of the agencies did not use it at all.

From Table 8.1, it is evident that all agencies raised some income from individual donations and gifts. Agencies A, B, D, F, H, J and L identified this as the most effective strategy (Table 8.2 (a), 8.2 (b)).

The success of getting donations from individuals hinged on the ability of the aid agency to fragment the seemingly unmanageable international problems into simpler tasks and issues that individuals could reasonably contribute to. The means of raising resources from individuals was considered reliable, once a donor base had been established and the aid agency made reasonable efforts to continually encourage donors to give.

Regarding the conditions attached to individual donations, there was consensus that this fundraising strategy presented few or no conditions.

“Dealing with individual contributions is simplified by the fact that individual donors do not usually attach conditions regarding where their individual donations should be used, or for what purpose. Most individual donors are satisfied with a regular progress report from the aid agency updating them on project activities. The flexibility of individual donations therefore makes it a preferred source of income” (Chief Executive, Agency L).

Individual donations were considered an effective fundraising strategy in which donors could be encouraged to be regular givers, thus providing a reliable, continuous, and long-term source of funds, and with minimal conditions attached. Similarly, aid agencies could provide reliable, continuous, long-term services to development clients. Linking back on the findings presented in section 7.3.3, and Figure 7.3, it is interesting to note that aid agencies at both ends of the low quality to high quality continuum of funding arrangements seemed to rely heavily on individual donations as a fundraising strategy. That could be due to the low level of conditionality and the high flexibility associated with individual donations, giving aid

agencies the discretion to determine the kind of funding arrangements to institutionalise.

8.2.2.1.2 Australian Agency for International Development (AusAID) Grants

Funds from AusAID were accessed through the various schemes available to accredited aid agencies. These schemes included the AusAID-NGO Cooperation Program (ANCP) – which was the main funding scheme, the AusAID-NGO Country and Regional Program Windows and the Humanitarian Relief Programs.

The AusAID accreditation was a prerequisite for accessing funding through these schemes. Agencies could either have base or full accreditation status. The accreditation process and the funding eligibility implications were discussed at length in section 4.4.3.2. As observed in Table 4.1, the funding scheme and amounts of funds allocation for which an aid agency became eligible was dependent on the level of accreditation attained.

In addition to the schemes, aid agencies could bid to implement other AusAID activities on a contractual basis. This option was available to both the accredited and non-accredited agencies.

Of the agencies studied, 38 per cent had full accreditation, 33 per cent had base accreditation and 29 per cent had no accreditation. Twenty per cent of the agencies received more than 50 per cent of their income from AusAID during the 1998/99 financial year (Table 8.1). Agencies D, F and L, together with 16 per cent respondents to the mail survey had not received any funding from AusAID during this period. So, while AusAID grants and contracts represented a significant source of income for some agencies, for others it represented no income.

Given the relationship between accreditation levels and eligibility for AusAID funding, that is, a full accreditation status suggests higher levels of AusAID

funding, it may be reasonable to expect that agencies with full accreditation status might have a higher percentage of income from AusAID.

However, an analysis of the correlation between level of accreditation and income from AusAID showed that there was no significant correlation between the two variables. Full accreditation status and eligibility for larger AusAID grants did not necessarily mean that an agency drew a large proportion of its income from AusAID, or depended heavily on this one income source. The most plausible explanation for this would be that agencies with full accreditation generally (though not always) had large annual budgets. This was the case for Agencies A, E, H, J and K all with full accreditation and an annual budget of over A\$ 5 million. AusAID funding represented 11–30 per cent of the total budget for these agencies. With a large annual budget, the amount of funds drawn from AusAID up to the Indicative Planning Figure (IPF), represented about a fifth of their total annual income.

The lack of a significant correlation between level of accreditation and AusAID funding was also observed from Agency C (with base accreditation) and G (with full accreditation), both of which registered their highest levels of fundraising success in 1998/99 when lobbying for funds from AusAID. Agency C received 50 per cent of its income from AusAID, while Agency G received 65 per cent. These agencies were dependent on AusAID funding owing to a lack of diversity in their resource base.

While AusAID funding represented a significant source of income, there was an acknowledgment of the risks associated with heavy reliance on it, and possible effects on service delivery. According to the Vice President of Agency C (that has an annual budget of A\$50,000):

“Soliciting funding from AusAID is really hard work, but we still seem to be successful every time. I think what makes it appealing to us is that we can prepare just one project document and from that receive fifty per cent of the

funds we require for most of our activities (the other fifty per cent is usually in-kind contributions and donations from a few individual givers). Given the fact that we are a small agency with no paid staff and only six volunteers, we attempt to invest our efforts in fundraising activities that are likely to yield the greatest good. And soliciting funds from AusAID is just it. However, while appreciative of the success we have made with this strategy, we are aware of its variability.”

Also, for Agency C with base accreditation, the ANCP grant matching is on a 1:1 ratio, that is, for every dollar contributed by the agency to an activity, the ANCP contributes one dollar up to the IPF. Thus, in addition to the variability of AusAID funding, another motivation for venturing into other fundraising strategies is that if agencies hoped to receive more funds from AusAID, they would have to raise more from other sources as well.

Agency G was also of the view that when operating a small budget and with a small number of staff, soliciting funding from AusAID was probably one of the most cost-effective means to raise funds. The Administrator of Agency G noted:

“We have only one full-time and one-part time staff member and our annual operating budget is about A\$250,000. We are able to solicit most of this funding from AusAID, so we have not invested much in other methods of fundraising. But we do realise there are risks involved in heavy reliance on government funding such as financial instability, which could invariably affect our ability to meet the financial obligations to partner agencies and development clients. So we are starting to look into other possibilities.”

These two agencies were represented by small annual budgets and a small, sometimes inadequate administrative staff, hence were unable to invest significantly in multiple fundraising methods.

A further analysis shows the relationships between these three variables – size of annual budget, number of staff, and levels of AusAID funding. Table 8.3 below shows the correlation between these variables.

Table 8.3: Correlation between average annual budget, number of paid staff and level of AusAID funding

		Average annual budget	Number of paid staff	AusAID grants
Average annual budget	Pearson correlation	1.000	.366**	-.282*
Number of paid staff	Pearson correlation	.366**	1.000	.065
AusAID grants	Pearson correlation	-.282*	.065	1.000

** Correlation is significant at the 0.01 level (1-tailed)

Listwise N=44

* Correlation is significant at the 0.05 level (1-tailed)

According to Table 8.3 there appeared to be a negative correlation ($r = -0.28$, $p \leq 0.05$) between the average annual budget and the proportion of AusAID funding, that is, as the average annual budget increased, proportion of AusAID funding decreased. This confirms the argument presented by agencies C and G that for those agencies with small annual budgets and successfully soliciting AusAID funding, this funding source was likely to constitute a high proportion of their total income. For these agencies, their IPF (that is the upper limit of funds that an agency may access through the ANCP in one financial year) would be close to the size of the budget. It also agrees with the argument presented by Agencies A, E, H, J and K that with a large annual budget, the proportion of AusAID funding appeared to be relatively smaller. However, there appeared to be no significant correlation between the number of paid staff and proportion of AusAID funding.

Also evident was the positive correlation between the number of paid staff and the average annual budget ($r = 0.36$, $p \leq 0.01$). It may be reasonable to argue that with

few or no paid staff to engage in multiple fundraising methods, the average annual income was likely to be low. As the number of paid staff increased and they assertively engaged in multiple fundraising methods, the average annual income was likely to rise.

In spite of its variability, the contribution from AusAID represented a significant contribution to the annual budgets of aid agencies. According to the Development Program document of Agency J, while diversifying sources of income, aid agencies should also be advocating for increased levels of AusAID funding through the schemes (especially the ANCP), and reduced variability. Increased collaboration between AusAID and the non-governmental aid agencies could prove useful in influencing government policy on overseas development assistance, and consequently the allocation of funds to the activities of non-governmental organisations.

Besides the direct financial assistance, Agency A (*Agency A, Annual Report 1998/9*) and Agency E (*Agency E Profile, 2000*) noted other ways that the Australian government had assisted aid agencies in their fundraising ventures. These included channelling some of the micro-enterprise development foreign aid budget through the agencies, reducing operating costs through exemption from a range of taxes and encouraging supporters to give more by providing tax deductibility benefit. The provision for high quality standards of service delivery through the five-year accreditation process also increased supporter confidence in aid agencies and encouraged further giving.

While acknowledging that the AusAID schemes provided a significant source of income for the aid agencies, where possible some agencies preferred to limit the proportion of funds accessed through these schemes. For example, agencies A, E, H and K indicated that the AusAID grants generally did not exceed 20 per cent of their total income.

The reasons given for taking this position were that AusAID grants tended to fluctuate from year to year and generally in a decreasing trend, hence posing a threat to the financial stability of the aid agency. Also, excessive reliance on government grants threatened the autonomy of the aid agency to the point where the agency may find itself in a position in which it is no more than an extension of the official aid system. The agencies also acknowledged that there was need to maintain emphasis on individual and group partnerships with the Australian public, through financial stewardship and support. This was important as they received substantial support, including volunteer services and goodwill from the public. This vital relationship with a supportive public could be weakened if an agency shifted emphasis to government funding.

It is important to note that agencies A, E, H and K had full accreditation status, thus received ANCP funds on a 3:1 matching basis, that is that is three dollars of the ANCP for every dollar contributed by the aid agency, up to the Indicative Planning Figure (IPF). The implication for limiting the AusAID funding therefore was that the agencies would have to raise such a significant amount of resources from other sources (hence the large annual budgets), that in comparison, the AusAID funding generally constituted around 20 per cent of their total income.

While these agencies made a conscious effort to not be overly dependent of government funding, for others (agencies C and G), the difficulty and uncertainty in raising sufficient funds from other sources made this a luxury they could not afford.

Generally, the agencies that relied heavily on government funding were at the mid-point of quality of funding arrangements (section 7.3.3), being neither too high nor too low.

Government funding was viewed as conditional, non-continuous, and highly variable. This had implications for service delivery owing to the fact that an unreliable and short-term funding source meant that the aid agency could not make

long-term commitments to partner agencies and development clients. Long term planning was therefore adversely affected, and the development process that involved working with development clients for a sufficient duration to build capacity and promote sustainability of programs and projects, was undermined.

Even in cases where AusAID could provide multi-year funding to projects, the timeframe was only three years which agencies considered insufficient time to really engage in long-term development initiatives. Furthermore, approval of multi-year funding could only be given in principle. Continued funding for multi-year projects could not be guaranteed and was always subject to budget allocations, acceptable activity performance in the previous year and the accreditation status.

In response to the variability of AusAID funding, aid agencies attempted to diversify their income sources, hence established relationships with other segments of the Australian public, and the international community of agencies involved in international development. The ANCP matching grants arrangement also encouraged agencies to raise their own resources to be able to draw funding from the AusAID scheme. The rigorous accreditation process promoted professional management of agencies and effective delivery of quality programs. These aspects would result in increasing levels of agency funds for their activities, and an oversight mechanism that promoted accountability to stakeholders, both of which would support quality delivery of services.

Therefore, while on the one hand AusAID may be accused on providing variable and inadequate funding, it had established an enabling environment of quality service delivery through accountability mechanisms that increased the probability of support to non-governmental agencies from other sources.

8.2.2.1.3 International agencies

Overseas agencies included both multilateral agencies like the World Bank and United Nations organisations as well as bilateral agencies such as United States Agency for International Development (USAID), the United Kingdom Department for International Development (DFID), and other official development assistance agencies. Also included were non-governmental aid agencies' in other OECD countries.

Twenty per cent of the agencies studied received more than five per cent of their funds from these sources. Fifty per cent of the agencies did not receive any funds from overseas agencies, while a further 30 per cent received up to five per cent.

The funding relationship with overseas agencies was determined by whether the funds were provided as *contract payments* or *grants*. Where funds were provided on a *contractual* basis, aid agencies were expected to respond in some ways to the programs, priorities and policies of their donors. This conditionality resulted in reduced autonomy and flexibility for the aid agency, and trade-offs had to be made between the priorities of aid agencies and their funders, partner agencies, and development clients. *Grants* provided a lot more flexibility and fewer conditions to abide by, hence seemingly easier to execute programs that fit within the aid agencies' priorities.

However, according to Overseas Programs Executive of Agency K, which received 73.5 per cent of its 1998/99 income from overseas sources, OECD countries, and UN agencies often had a 'global agenda' for international development – usually set by the OECD Development Assistance Committee. And the global agenda shifted regularly, say from a focus on gender to the environment, to human rights, and so forth. Essentially therefore, even when funds were provided as grants, there were still the underlying expectations that the 'global agenda' would be adhered to.

This issue of macro environment factors influencing service delivery such as a 'global development agenda' is discussed further in Chapter Nine.

In terms of service delivery, it was difficult for respondents to categorise the effect of funding from overseas sources. On the one hand, where there were conditions attached, and funding was short-term and variable, the results were similar to those listed previously on funding from AusAID – compromising the objectives of partner agencies and development clients and undermining sustainability. On the other hand, when overseas funding stemmed from a global agenda, such as focusing on the status of women, or human rights issues, sometimes it provided funding to address concerns that the agency had not been able to address in the past, owing to financial constraints.

As noted in the Development Program document of Agency J:

“It is often more difficult to raise funds for advocacy work than for other activities. Yet, issues like awareness creation on human rights violations or environmental degradation need to be on the development agenda. Thus, when a UN agency provides funding for these activities, we are able to integrate them into our other development work. Their support strongly complements our work, by availing resources for work that we might otherwise be unable to do.”

Overall, the contribution of overseas agencies was seen as being more than simply a financial one. Their input in assisting Australian aid agencies with research findings on various issues, developing a better understanding of global concerns and helping to link the work done in Australia to others in the world was crucial in ensuring aid agencies in Australia remained relevant and effective facilitators of development. Through such linkages, Australian agencies could be more involved in policy dialogue and decision-making on issues of global significance.

8.2.2.1.4 Corporations

Agencies E, J and K collaborated closely with the corporate sector for both financial and managerial support. The agencies educated the corporations on international development, providing information on how the corporate community could be involved and why their contribution would be beneficial both to themselves and those they assisted.

Agency K had formed a corporate council with the Australian business community. The council served to highlight the advantages for Australian businesses in supporting overseas development — the creation of stronger and more stable overseas economies and healthier environments for business purposes (Agency K Profile, 2000).

The main method of fundraising from corporations was through submitting project proposals that addressed areas of interest to the corporations. Other methods were sponsorship to special events and activities, and cause-related marketing. It was noted that these strategies were effective as they helped to place corporations in the limelight as socially responsible institutions, thus increasing the probability of improved business and market share. Through these methods, 20 per cent of the agencies received more than five per cent of their funding from corporations. There were, however, 52 per cent that did not receive any funding, and 28 per cent that received up to five per cent of their total annual income from corporations.

The success of corporate funding depended on a matching of corporate goals with aid agency goals, as noted by Chief Executive of Agency E (specialising in micro-enterprise development) that raised 60 per cent of its income from corporations on a regular basis.

“We share objectives with the corporate world. The not-for-profit sector and particularly the micro-enterprise development industry of which we are a part

places great emphasis on financial sustainability and growth to justify the existence of the organisation. Corporations have the same emphasis – financial sustainability and growth. We therefore find ourselves in a position to lobby for corporate funding, and with a high level of success. Corporations also assist us with issues of governance, management and accountability. We endeavour to be an icon of best practices in the micro-enterprise development industry and corporations are supporting us to achieve that goal. They are not just our financial supporters, they are our partners” (Chief Executive, Agency E).

Corporations also assisted aid agencies with their investment needs where that was considered appropriate. Thirteen per cent of the agencies raised more than five per cent of their funds through various investment activities.

Agencies A, B and H, however, noted that they deliberately opted not to solicit any funds from corporations. Chief Executive of Agency B suggested that there was a non-convergence between corporate goals and aid agency goals and that any attempts to find a common ground were futile at best. It was also noted that there was a potential risk of being drawn into the corporate agenda and activities. Corporations often sought to fund activities that would provide benefit for them, and the implication may be that funded activities may not necessarily serve the goals of aid agencies.

Collaborative efforts with corporations also presented a potential for conflicts in cases where an aid agency may be involved in activities/campaigns that may directly or indirectly impact negatively on a corporation’s image. Accepting funding from such a corporation would probably be contingent on the aid agency abandoning its campaign activities, or making them so general and superficial as to be ineffective. Essentially, the aid agency’s mission would be undermined. Corporate funding was also viewed as having the potential to be unreliable and

unpredictable, as overseas aid may not always be an important agenda for corporations, and their interest in the work of an aid agency may not be sustained.

Corporate funding, like government funding was perceived as being variable, unreliable, and with a mix of conditions (generally to meet the agenda of the donors). It was understandable that corporate funding would have multiple conditions, as corporations had to justify their support of aid agencies to a variety of audiences and shareholders. However, Chief Executive of Agency E suggested that conditionality contributed to promoting effective service delivery by provided corporations with an oversight mechanism aimed at assessing the progress and effectiveness of aid agencies.

The aid agencies that received corporate funding though took issue with its variability and unreliability, and argued that so long as they (aid agencies) remained effective in the performance of their functions and reporting on progress, corporations could be more empathic and reliable supporters. In terms of service delivery therefore, the unreliability and variability of corporate funding was perceived as being inhibitive to the achievement of long-term development goals.

8.2.2.1.5 Other fundraising methods

Other fundraising strategies that were identified included funding from foundations and trusts, and self-financing activities.

Funding from foundations and trusts was viewed as being similar to funding from corporations, and other institutions. The interests and conditions of the giver determined who could access the funds. They were also generally categorised as variable and short-term.

Self-financing activities were categorised as a reliable and flexible form of funding. Some agencies, especially those predominantly conducting training charged fees

for their training services. They also provided consultancy services in their respective fields. Agencies 013, 019, 043, 071, 076 and 081 raised 20 to 30 per cent of their annual income using this method. Other self-financing activities included the sale of products produced by the agency. Agencies A, J and 071 raised 1–2 per cent of their income through the sale of various items from their retail outlets.

Self-financing programmes were seen as playing an important role in diversifying income sources, and providing a resource base that contributed to increased autonomy and flexibility in funds utilisation. Also, with such programmes aid agencies were able to cover their own administrative expenses, hence channelling more of the funds from other sources directly to partner agencies and development clients. A self-financing programme, once established, provided a reliable, long-term substantial source of income as observed by Overseas Program Coordinator, Agency J. Such ventures were therefore becoming increasingly important for aid agencies.

The challenges and risks associated with starting and successfully running a self-financing venture, however, had caused some to shy away from it. Agency D had started and failed, while Agency J had to get much professional assistance and channel significant amounts of funds to the development and marketing of profitable ventures. Agency J noted that competition from the corporate sector was stiff and recruiting competent staff was also difficult. If staff were competent to run self-financing programs, they would probably be employed in the corporate sector, or be self-employed. Other difficulties included the initial investment costs for which agencies did not have resources, and building and maintaining clientele numbers at a profitable level.

For purposes of service delivery, self-financing programmes not only provided additional income to be expended on development clients, but also availed income for administrative expenses, hence other donated funds could be directed to

development clients. Additionally, they provided a long-term sustainable source of revenue and contributed to increased autonomy and flexibility on expenditures. Similarly, partner agencies and development clients could be served with long-termness, flexibility and support for sustainability strategies.

In concluding the discussion on the effect of fundraising strategies on service delivery, Table 8.4 below summarises the effects of the various fundraising strategies on service delivery.

Table 8.4: Effect of fundraising strategies on the service delivery process

Fundraising strategy	Effect on service delivery
Individual donations and gifts	<ul style="list-style-type: none"> • Reliable, continuous, long-term delivery of services • High discretion by aid agencies on funding priorities, hence the needs of development clients are likely to be addressed. • Low accountability demands and conditionality by donors may compromise the quality of service delivery, as any inadequacies and inefficiencies in service delivery may go unnoticed.
AusAID grants and contracts	<ul style="list-style-type: none"> • Variable, non-continuous, short-term funding (no more than three years), with a moderate to low discretion by aid agencies on funding priorities, hence the needs of development clients could be compromised. • High conditionality and accountability demands may help to identify and address any inadequacies in service delivery, and motivate agencies to be effective facilitators of development.

Table 8.4 (continued)

Fundraising strategy	Effect on service delivery
Overseas agencies	<ul style="list-style-type: none"> • Moderate variability and duration of funding, and moderate to high discretion by aid agency on funding priorities suggests that the needs of development clients may be addressed. • Provision of funding to address global development issues that may be directly or indirectly affecting development clients, means their needs may be responded to. • Level of conditionality (whether low or high) may influence the quality of service delivery.
Corporations	<ul style="list-style-type: none"> • High variability, non-continuous, short-term funding, and low discretion by aid agency on funding priorities may suggest a compromise of the needs of development clients. • High conditionality and the matching of goals between corporations and aid agencies suggest that the needs of development clients may or may not be addressed.
Self-financing programs	<ul style="list-style-type: none"> • Reliable, long-term, continuous funding, with a high discretion by aid agency on funding priorities suggests that development clients needs are likely to be addressed. • No conditionality by 'donor' suggests that aid agencies need to be accountable and transparent on how funds are utilised otherwise credibility could be compromised.

As aid agencies apply a mix of fundraising strategies, they need to be aware of the influence each strategy is likely to have on the quality of service delivery, and goal achievement through an appropriate response to the needs of development clients. Additionally, they need to be careful to convey an image of credible, effective agencies through their accountability mechanisms to supporters. A mix of sources provides an agency with overall autonomy in decision-making. First, while different sources may have varying sets of conditions, the aid agency may choose to tap resources from those whose goals match theirs. Second, even where there are conditions attached, aid agencies can tap those resources to the priority areas of their donors, while using other funds to address other needs.

Conditionality may not necessarily be a negative aspect. In some cases, it does offer the aid agency with some focus and additional resources to do what they are already doing, thus complementing rather than compromising their development priorities. In other cases, there is the component of oversight that goes with conditionality, which also contributes to ensuring that aid agencies are accountable for funds utilisation. In the absence of conditionality, aid agencies have the responsibility to institutionalise accountability mechanisms through which supporters can be assured of the effectiveness and credibility of such agencies. In the absence of such mechanisms, an agency risks losing public support.

In the Australian overseas aid sector, however, there is oversight by ACFOA and AusAID to ensure accountability. The AusAID accreditation process, which among other things demands adherence to the ACFOA Code of Conduct is an attempt to ensure aid agencies remain effective accountable agencies. The Code of Conduct is based on the principles of industry self-regulation. It defines standards of governance, management, financial control and reporting with which aid agencies should comply and identifies mechanisms to ensure accountability in use of public monies (ACFOA 2000c). The AusAID accreditation process is aimed at providing AusAID and the Australian public with confidence that the Australian Government is funding professional, well managed, community based organisations, which are capable of delivering quality development outcomes (AusAID 2000a).

As the public becomes more enlightened on the AusAID and ACFOA regulations that govern the aid sector, they may choose to support only those agencies that abide by these regulations. However, that should not preclude the agencies from having direct accountability mechanisms to their supporting public. Effective service delivery is contingent on effective fundraising, combined with an effective mechanism of accountability to various stakeholders, most importantly – donors, partner agencies and development clients.

8.2.2.2 Service delivery strategies and service delivery process

Together with effective fundraising strategies, is the need for equally effective service delivery strategies to meet the needs of development clients. Based on the activities and processes described by aid agencies the following four broad service delivery strategies were identified: in-kind contributions; capacity-building programs; single-sector programs such as health or micro-enterprise development; and integrated development programs that integrated activities from different development sectors over varying durations. The various service delivery strategies employed by aid agencies were discussed in Chapter Seven. The strategy of service delivery chosen was determined by a combination of factors such as availability of funding, key competencies of aid agencies, aid agency policy and relationships with development partners and clients.

Essentially, these four categories of service delivery strategies represented different emphasis on the steps of the process described in Chapter Seven. It is conceivable that this emphasis on different steps implied differences in the effectiveness of service delivery.

Table 8.5 below shows the possible effect of the different service delivery strategies on the service delivery process. It shows the differences on a continuum from simplicity to complexity, with the short-term strategies on the left side and the long-term strategies on the right, and how the different strategies affected the four service delivery sub-processes discussed in Chapter Seven (project identification

and initial assessment; project implementation; project monitoring, evaluation and impact assessment; and project sustainability).

For easier reference, the table has been split into four sub-tables, 8.5(a), 8.5(b), 8.5(c) and 8.5(d), each addressing one sub-process. Below each step, reference is made to Chapter Seven from which the material has been derived.

Table 8.5(a): Effect of service delivery strategies on the process of project identification and initial assessment

		Increasing effectiveness and complexity of strategies	
Service Delivery Strategies			
Project identification and initial assessment process	In-kind contributions (short-term)		Integrated sector programs (long-term)
<ul style="list-style-type: none"> – Identification process (Section 7.2.1) 	<ul style="list-style-type: none"> • Often used a single method 	<ul style="list-style-type: none"> • Often used multiple methods
<ul style="list-style-type: none"> – Screening process (Section 7.2.2) 	<ul style="list-style-type: none"> • Used one main indicator 	<ul style="list-style-type: none"> • Used a variety of indicators: <ul style="list-style-type: none"> – Availability of all resources, ie, human, financial and technical – Viability of project – Potential impact – Potential for sustainability
<ul style="list-style-type: none"> – Project design (Section 7.2.3) 	<ul style="list-style-type: none"> • Design document not very comprehensive – not much description to be done 	<ul style="list-style-type: none"> • Design document very comprehensive elaborating on all aspects of the project description
<ul style="list-style-type: none"> – Review of project design (Section 7.2.4) 	<ul style="list-style-type: none"> • Review process not very rigorous – small number of stakeholders. • Simplicity of project suggests few conflicting interests of stakeholders 	<ul style="list-style-type: none"> • Review process very rigorous as the interests of various stakeholders must be considered prior to implementation • Complexity of project makes it susceptible to conflicts among stakeholders

Table 8.5(b): Effect of service delivery strategies on the process of project implementation

			
Service Delivery Strategies			
Project implementation process	In-kind contributions (short-term)		Integrated sector programs (long-term)
<ul style="list-style-type: none"> - Signing of contractual agreements (Section 7.3.1) 	<ul style="list-style-type: none"> • Generally not done 	<p>.....</p>	<ul style="list-style-type: none"> • A fundamental part of the process
<ul style="list-style-type: none"> - Building the capacity of partners and clients (Section 7.3.2) 	<ul style="list-style-type: none"> • Generally not done 	<p>.....</p>	<ul style="list-style-type: none"> • Done for both partner agencies and development clients
<ul style="list-style-type: none"> - Quality of funding arrangements (Section 7.3.3) 	<ul style="list-style-type: none"> • Generally, no funds disbursement, hence no funding arrangements • Questions abound on the appropriateness of donations 	<p>.....</p>	<ul style="list-style-type: none"> • Multiple indicators to assess quality of funding arrangements: <ul style="list-style-type: none"> - Meeting needs of development clients - Monitoring of funds utilisation - Levels of administrative burden - Duration and continuity of assistance - Timeliness and appropriateness of funding

Table 8.5(c): Effect of service delivery strategies on the process of project monitoring, evaluation and impact assessment

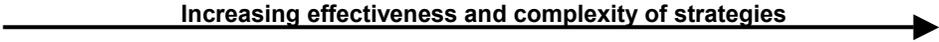
 Increasing effectiveness and complexity of strategies		
Service Delivery Strategies		
Project monitoring, evaluation and impact assessment process	In-kind contributions (short-term)	Integrated sector programs (long-term)
<ul style="list-style-type: none"> - Monitoring (Section 7.4.1) 	<ul style="list-style-type: none"> • Reporting done only when donations are provided to development clients 	<ul style="list-style-type: none"> • Frequently done and multiple methods of monitoring used – progress reports, site visits
<ul style="list-style-type: none"> - Evaluation (Section 7.4.2) 	<ul style="list-style-type: none"> • Generally evaluation of projects or aid agency policies is not done 	<ul style="list-style-type: none"> • Project evaluation done at end of project, or end of project cycle. • Use of internal and external evaluators • Multiple stakeholders informed of outcome of evaluation • Also, policy evaluation done to assess the appropriateness of aid agency policies
<ul style="list-style-type: none"> - Impact assessment (Section 7.4.3) 	<ul style="list-style-type: none"> • Generally not done 	<ul style="list-style-type: none"> • Increasingly becoming an important part of agency activities, however, not yet fully developed.

Table 8.5(d): Effect of service delivery strategies on the process of project sustainability

			
		Service Delivery Strategies	
		In-kind contributions (short-term)	 Integrated sector programs (long-term)
Project sustainability process			
<ul style="list-style-type: none"> – Project sustainability (Section 7.5 and 7. 2.2) 	<ul style="list-style-type: none"> • Not considered 	<ul style="list-style-type: none"> • An important consideration throughout the entire project from identification to evaluation. • Aim to incorporate various sustainability strategies

Tables 8.5(a) to 8.5(d) show how the service delivery components change as strategies grow from short-term to long-term. Each component becomes more complex and detailed across the continuum. The characteristics of the right-hand side contributed to what aid agencies considered as high quality or effective service delivery. The service delivery strategies affect the effectiveness of the process. The longer-term strategies that take into account all the steps of the process are more likely to contribute to increased effectiveness.

The complexity in combining the characteristics contributing to effective service delivery suggested that agencies had to have the resources, that is, competencies, funding, support from the most important stakeholders, and at times professional input from various sources to be effective in their work.

The issues relating to funding and its effect on the service delivery process have been previously discussed. It is evident that fundraising strategies are intertwined with service delivery strategies. The availability, amounts, conditions, duration and

reliability of funds determine whether an agency will opt for a short-term service delivery strategy or a long-term one, the activities to be involved, and the steps of the service delivery process to receive most emphasis. Sometimes, even the policies of agencies are overridden by the availability of funding. All these factors influenced the service delivery process and consequently the achievement of development goals.

The next section reviews how aid agencies combined and coordinated their service delivery role with the resource mobilisation role through their organisational structures, and effect of the various structural designs on the service delivery process.

8.2.3 Organisational Structures and Service Delivery

The structure of the agencies represented the division of labour into various tasks and the coordination of those tasks in an appropriate manner to achieve the intended outcomes. The components of organisational structures studied included geographical coverage of agency, staffing, departmentalisation, job specialisation, centralisation, formalisation of work processes, reporting relationships, and liaison with outsiders. These are discussed below.

8.2.3.1 Geographical coverage of agency

In terms of geographical coverage, there were two main types of structures: those of agencies that had offices overseas and those that did not.

Examples of both types of organisational structures are presented below, to provide some insight into the effect of structures on service delivery.



Figure 8.1. Example of a structure of an agency with no overseas offices

Figure 8.1 above shows an example of an agency with no overseas offices in developing countries. Overseas projects were therefore coordinated from Australia through the International Programs Coordinator. There were no close links between the Australian agency and overseas partner agencies.

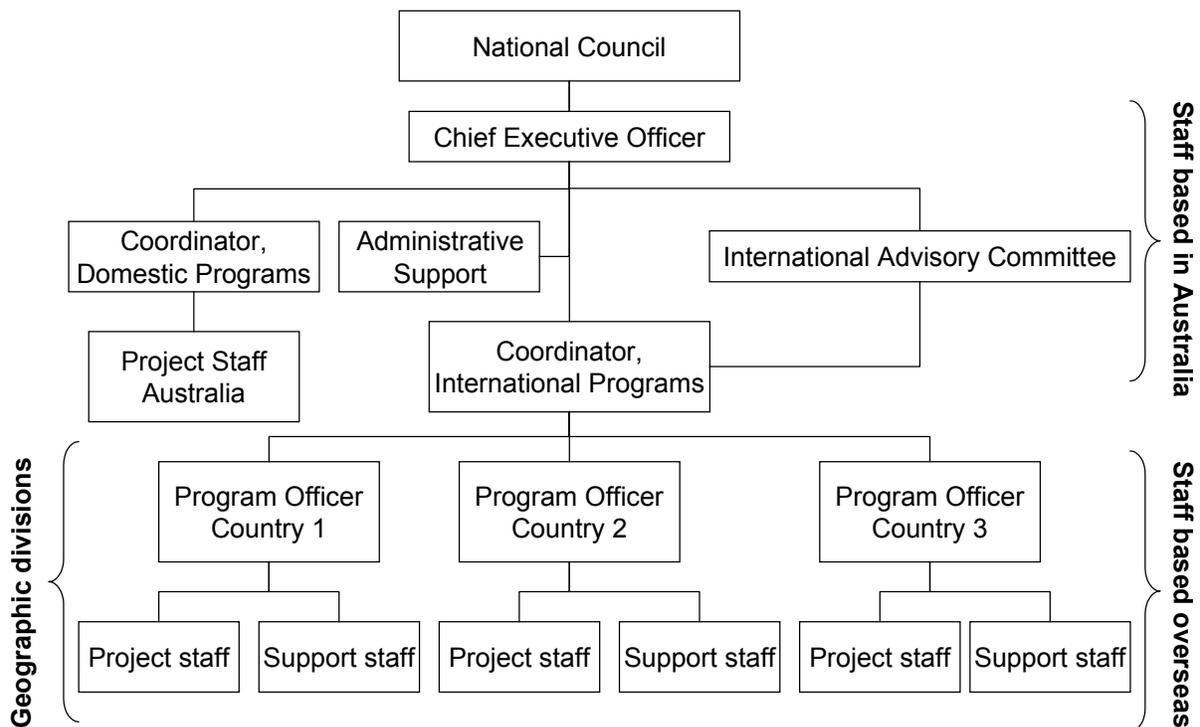


Figure 8.2. Example of a structure of an agency with overseas offices

In contrast to Figure 8.1, Figure 8.2 shows an example of a structure of an agency with multiple offices overseas. In this case, the program officers of the various countries report to the Coordinator of International Programs. The close coordination and reporting relationships between the agency staff in Australia and those in overseas countries are evident. This difference in structure was identified as being important to the service delivery process.

First, in terms of functions, agencies represented by Figure 8.1 only acted as funding organisations. They were not directly involved in service delivery. Those represented by Figure 8.2 acted both as funding organisations and implementing organisations. They combined their fundraising role in Australian with their service delivery role overseas. At the same time, they collaborated more closely with other agencies in developing countries hence forming partnerships with them. The close linkages both geographically and in terms of building relationships placed the agencies represented by Figure 8.2 at a distinct advantage in terms of service delivery.

At the project identification stage (discussed in Section 7.2), agencies A, B, E, H, J and K that had overseas offices indicated that they used their staff in those offices to assist in the process. The overseas staff were also involved in the implementation and evaluation phases of service delivery. With regard to funds disbursement, funds could be transferred annually to the overseas office, which in turn disbursed funds to the partner agencies and development clients as required, helping to make the process more timely, and reducing lapses in operations. Overall, an agency with this structure (in Figure 8.2) could be involved more directly in the entire service delivery process with partner agencies and development clients, suggesting that any inconsistencies within the process could be more readily identified, and where possible corrected.

Agencies A, B, E, J and K noted that the use of overseas staff proved useful in a number of respects. First, the staff were in most cases local people who were

familiar with the circumstances of development clients, understood the political, economic and socio-cultural issues of an area, hence could identify with the needs and concerns of development clients and help to design viable project proposals. Second, they were familiar with local languages, making communication with development clients easier. Third, the administrative costs associated with employing local labour were much lower than using expatriate labour. Fourth, the local people had built relationships in communities over time and were more likely to be trusted by development clients. All these factors positively influenced service delivery.

However, agencies A and K identified a number of difficulties regarding operating overseas offices. One was recruiting competent staff, as most were not always well trained in management and governance of organisations, and project management. A second one was the cultural differences in different countries, and the implications of these in the management of overseas offices. The socio-cultural settings did not always fit in well with the policies of an aid agency. For example, an agency desiring to promote women into leadership positions may face difficulties in a male dominated community where it was not acceptable to give such roles to women. Third, there were the investment costs of establishing, equipping and staffing an overseas office. Fourth, gaining entry to some countries was difficult, especially where there were stringent conditions for entry and operation of overseas aid agencies.

In spite of the difficulties, having overseas offices was considered as advantageous in the long-term, with the benefits outweighing costs, hence worth the investment.

8.2.3.2 Staffing

Another aspect of structuring of the agencies was the staffing level and in particular the use of volunteer labour versus paid staff.

There was a positive correlation between the number of paid staff and the number of volunteers ($r = 0.26$, $p \leq 0.05$), indicating that an agency with a large number of paid staff generally had a large number of volunteers too.

According to the background information provided by Agency 011, the use of volunteers was preferred because it kept administrative costs to a minimum. A lot could be accomplished with minimal financial input especially in conducting campaigns and fundraising appeals. Volunteers also contributed much in terms of expertise and experience in various areas that were beneficial to the agency. The use of volunteers also helped to establish strong links in the community and give the public an opportunity to contribute to a cause they had an interest in.

However, a change in trend was also identified from other respondents. Agencies F and K while appreciating the contribution made by volunteer labour indicated that they did not favour their use to a large degree. They noted that the numbers of volunteers in their organisations had drastically reduced to an insignificant level, and the numbers of paid staff had markedly increased.

The reason given for an increase in the number of paid staff (both part-time and full-time) was the increasing responsibilities and expectations placed upon aid agencies. These responsibilities and expectations covered at least four areas. First, were the requirements to abide by the Australian Council for Overseas Aid (ACFOA) Code of Conduct. These entailed elaborate and consistent documentation in management, accountability and good governance. Second, the accreditation to AusAID, which was a rigorous process that was a prerequisite for receiving the Australian government's grants. It involved extensive assessment of an agency's operations in Australia, and for full accredited agencies an overseas assessment as well. Third, fundraising had become very competitive and the donor market uncertain, prompting the need for intensive fundraising strategies, which sometimes entailed the use of professional fundraisers, and/or establishment of a fundraising department within the agency.

Fourth, was the increased need for professionalism in service delivery. A lot of program activities required specific expertise and training, and between three and five years of experience. Many volunteers may not have the necessary expertise and experience, or may not be available to commit the time required to participate in long-term programs (at least three years). Managing overseas programs was also considered a very challenging and full time responsibility, especially in dealing with all the complexities of multiple demands from partner agencies, development clients, donors and governments.

While appreciating the contribution made by volunteers, these increasing responsibilities had resulted in the need for more paid staff to handle the demands. The use of volunteers was therefore still encouraged, but there was consensus that in the light of growing demands on aid agencies, a long-term strategy would be to have a reliable number of paid staff for an effective service delivery process.

8.2.3.3 Departmentalisation and job specialisation

Closely related to staffing was the departmentalisation of agencies, that is, number and kinds of administrative units that aid agencies had for handling their various roles. Generally, the larger the agency in terms of staffing and outreach, the more the number of administrative units, or departments it had.

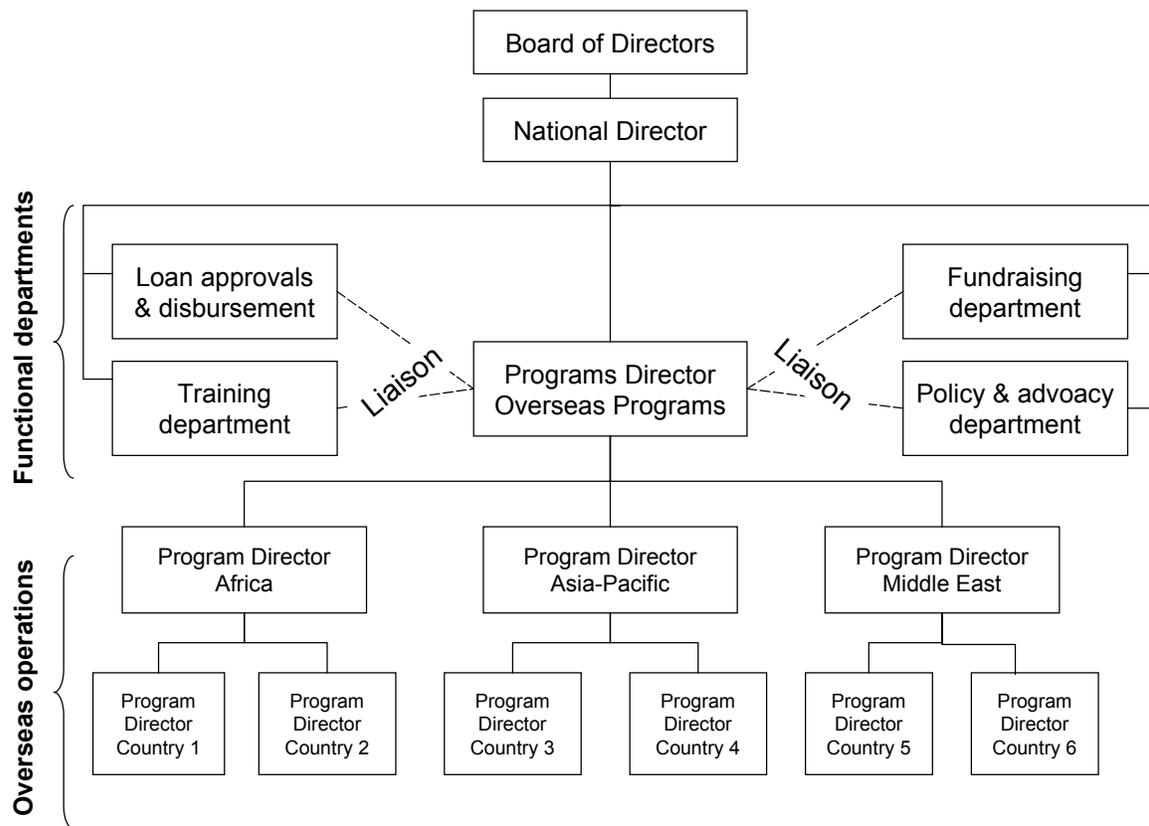


Figure 8.3. Organisation structure showing multiple departments and overseas operations

Figure 8.3 shows an organisational structure of an agency with departments for each of its major tasks – fundraising, policy development and advocacy, loan approvals and disbursements, and training, with a high level of specialisation. The agency represented by the figure above was involved in micro-enterprise development and employed over 1000 staff in over 30 countries.

The Programs Director for Overseas Programs has close liaison with all the departments to ensure that their functions and activities in Australia are closely linked to the situations of the agency's overseas clients. The training department, for example, has a responsibility to develop country-specific training packages for all their development clients, and the Programs Director is instrumental in providing relevant and up-to-date information for the process. The division of tasks and the

high level of specialisation for each of the important tasks are useful given the large number of development clients being reached.

In contrast, the agency represented by Figure 8.1 operates in just three overseas countries and has less than 20 paid staff, half of who are part-time. The International Programs Coordinator shown in Figure 8.1 is charged with multiple responsibilities that include fundraising, liaising with overseas partners, visiting projects for monitoring and evaluation, reviewing project proposals, addressing policy issues, and organising a lot of the administrative work at the office as well. There appears to be a low level of specialisation for any of these tasks. Some of the part-time staff are engaged in providing specialised expertise in various sectoral project components, such as health, food security or water and sanitation.

The multiple responsibilities of the International Programs Coordinator (Figure 8.1) suggest that the overall effectiveness in service delivery is limited to how well this single position is able to combine the multiple roles. In such a situation where multiple responsibilities are placed on a single position, the probability that inadequacies will exist in management, accountability, governance and service delivery is high.

In fact at the time of the current study, the agency represented by Figure 8.1 had lost its AusAID accreditation status due to its inability to meet the requirements. The International Programs Coordinator agreed that part of the problem was the overload of responsibilities on a single position.

It becomes a strategic decision for the agency in determining the level of departmentalisation and job specialisation to institutionalise, and this decision effectively influences the process of service delivery, by impacting on the effectiveness of the agency in meeting its various managerial and service delivery obligations.

8.2.3.4 Centralisation

Centralisation refers to the extent to which power in an organisation is concentrated on a single point. Reflecting back to Figure 8.1, there appears to be much centralisation with most decisions made by a few individuals, especially with reference to the international programs. By contrast, the establishment of program offices in multiple locations, as shown in Figure 8.3 inevitably results in decentralisation of decision-making powers. Staff in overseas offices are far removed from their headquarters and are expected to be responsible for decision-making in their jurisdictions. Decentralisation disperses the decision-making power to various places, in this case, closer to the development clients. According to agencies A and K, this contributes (or should contribute) to providing services more effectively to them. A short decision-making process improves the timeliness with which decisions are made and reduces lapses in operations. It also reduces the probability of distortion of information that is more likely to occur when the decision-making chain is long, and decision-makers far removed from those affected by the decisions made.

8.2.3.5 Formalisation of work processes

Formalisation refers to the standardisation of work processes by imposing operating instructions or rules. Irrespective of the structures, staffing or level of centralisation there appeared to be a high level of formalisation in the agencies, especially with issues regarding documentation. Eighty-eight per cent of the agencies usually or always had standard agreement documents to be signed by partner agencies at the start of a project. Ninety per cent indicated they usually or always had standard formats for financial and narrative reporting and 78 per cent usually or always had standard formats for developing project proposals.

The formalisation was considered important as it assisted both the partner agencies and field offices in meeting the documentation requirements, and

assessment of reports was easier. Mundane repetitive tasks were simplified. However, agency F noted that standard reporting documents sometimes had the disadvantage of not adequately providing for the documentation of important but specific experiences and lessons learnt by field staff, partner agencies and development clients.

In terms of actual project implementation, agencies F, J and K observed that each project was unique, and no amount of formalisation could adequately prepare field staff or partner agencies for the variation in projects. However, field operating manuals were designed to guide field staff in making important decisions, such as in procurement of project equipment and/or conducting training. For example, while the staff were equipped with training documents to assist in addressing different training needs, specific situations and contexts determined what training components would be relevant, and that was a decision that could only be made by field staff on a case-by-case basis.

8.2.3.6 Reporting and liaison relationships

The reporting relationships represented by Figure 8.1 are clear and there does not appear to be much liaison between departments. In contrast, the complexity of operations represented by Figure 8.3 demanded a diversity and multiplicity of vertical reporting and horizontal liaison relationships.

Clear unidirectional relationships, and the size of the organisation as depicted in Figure 8.1 reduce the chances of conflict between positions, and the probability of information or its meaning being distorted or lost is also reduced. In a highly complex large structure as represented by Figure 8.3, there are increased chances of conflict between positions/departments and sometimes confusion. For example, while the 'loan approvals and disbursement' department liaises with the Overseas Programs Director, it reports to the National Director. The Chief Executive Officer of Agency E observed that this confusion between liaison and reporting

relationships, and effectively determining the final decision-maker could result in disharmony in the organisation, to the detriment of service delivery.

There is also the probability that as information moves up the hierarchy (to make it manageable for the Chief Executive) it is sifted and probably distorted in the process. A high level of coordination is essential with such a large organisation so that the concerns of each department are systematically addressed otherwise the ultimate service delivery function could be undermined.

8.2.3.7 *Liaison with outsiders*

Liaising with other agencies involved in similar work or organisations whose contribution may be beneficial to an aid agency also impacted on service delivery. Agencies represented by Figure 8.1 generally did not appear to liaise with other organisations.

However, for those represented by Figure 8.3, liaison with outsiders was inevitable. They often liaised with other community organisations, political leaders in the target communities, and/or government agencies in the overseas countries in order to improve their (aid agency) awareness and understanding of cultural, socio-economic and political circumstances of the development clients. This information was crucial in project implementation. They were also required to abide by the regulations of the overseas country and maintain good relationships, otherwise they risked being expelled. The liaison component therefore appeared to be more important for agencies with overseas offices as it contributed to establishing the necessary relationships to ensure an agency could conduct its activities effectively.

Table 8.6 below shows the differences in organisational structure between an agency represented by Figure 8.1 and one represented by Figure 8.3, and how these differences influenced service delivery.

Table 8.6: Summary of organisational design differences of agencies and effect on service delivery

Design feature	Structure 8.1	Effect on service delivery	Structure 8.3	Effect on service delivery
No. of paid staff	Small number of staff	<i>Low outreach levels</i>	Large number of staff	<i>High outreach levels</i>
Centralisation	Highly centralised	<i>Decision-making far removed from clients</i>	Highly decentralised	<i>Decision-making close to clients</i>
Formalisation of work processes in documentation	Highly formalised	<i>Negative – Rigid, insensitive to need of clients</i> <i>Positive – Eases accomplishment of repetitive tasks</i>	Highly formalised	<i>Negative – Rigid, insensitive to need of clients</i> <i>Positive – Eases accomplishment of repetitive tasks</i>
Formalisation of work processes in project work	Semi-formalised – provision of guidelines	<i>Assists in decision-making throughout the project cycle</i>	Semi-formalised – provision of guidelines	<i>Assists in decision-making throughout the project cycle</i>
Job specialisation in support operations¹	Almost no specialisation	<i>Support operations could be inadequately done</i>	Highly specialised	<i>Provide specialised services, positively contribute to service delivery</i>
Job specialisation in development sectors²	Highly specialised	<i>Provide specialised services, positively contributing to service delivery</i>	Highly specialised	<i>Provide specialised services, positively contributing to service delivery</i>
Reporting relationships	Clear and mostly unidirectional	<i>Clarity reduces chances of conflict and confusion, positively influencing service delivery</i>	Although unidirectional, interdependence between units is complex & possibly confusing	<i>Interdependence could result in conflicts, negatively influencing service delivery</i>

¹ Refers to management operations such as financial management, fundraising, public relations, human resource management and office management.

² Refers to sectors such as health, water and sanitation, food security, micro-enterprise development and education.

Table 8.6 (continued)

Design feature	Structure 8.1	Effect on service delivery	Structure 8.3	Effect on service delivery
Liaison between functions/ units	Occurs informally	<i>Liaison is easier and not likely to significantly fracture work processes</i>	An integrated part of the organisation's functions	<i>If not well coordinated, could result in fractured work processes</i>
Liaison with outsiders	May or may not occur	<i>May not have much impact on service delivery</i>	An integral part of the organisation	<i>If ignored, could result in serious organisational and project management problems</i>

No single structure is necessarily better than another, and each agency would make decisions based on its mission, resources and strategy. However, it appears evident that different organisational structures do influence service delivery processes in varied ways.

Sixty-nine per cent of the respondents acknowledged the significance of organisational structures in service delivery by noting that their organisations had been restructured in the past five years. The aim of restructuring was to improve service delivery by addressing one or more of the components discussed above, and deliver more program activities to beneficiaries by diversifying activities or extending outreach to new areas. Restructuring was also done in order to capture more fundraising opportunities, allow for research and development activities, and improve on monitoring and evaluation of field activities. Agencies also appreciated the need for accountability, efficiency and better communication with stakeholders. Collaboration with other aid agencies and with the Australian and overseas governments was also considered an important reason to restructure.

The effect of structure on service delivery is therefore quite significant, and the agencies indicated that it was necessary to re-evaluate their organisational structures regularly so that they remained responsive to the multiple and diverse demands in their work.

8.2.4 Organisational Principles and Service Delivery

The fundamental working principles of aid agencies – also referred to as the philosophy of the organisation, or the characteristics that made up its identity, contributed to the variations in the service delivery process. The principles were thought to represent that which distinguished one agency from another. They also constituted what an agency believed to be fundamental principles for effective service delivery. Some of the statements that revealed the principles of agencies included:

“One of the most meaningful contributions an agency can make to development clients is to develop their capacity to manage their own projects and destiny. We therefore try to ensure that all our projects include this component” (*Annual Report 1998/99, Agency A*).

“For us, the development *process* of producing intangible outcomes such as empowerment and project ownership is by far more valuable than simply providing the visible tangible development *products* such as schools and clinics. We therefore commit valuable time and resources building on the process, because we believe it is not only vital for the success of the project implementation, but for its long-term sustainability as well. When communities are empowered, they can initiate and manage different kinds of projects on their own” (Overseas Programs Executive, Agency K).

“We are very open to change and are willing to learn. We encourage contributions and feedback from development clients because only then can we be aware of our successes and failures” (Development Program document, Agency J).

The working principles of an agency became important as they guided its actions from strategy formulation to implementation, and formed the basis against which actions could be evaluated. Agency policies were derived from these principles. For Agency A that believed in the capacity building of development clients, for example, resources and strategies were put in place to translate that principle into practices and activities. The capacity building component was included in most if not all of its activities.

The assurance of quality services that all agencies claimed to provide could, for example, be given by having competent staff involved in every step of the process. This may explain why there was high job specialisation within the development sector jobs (irrespective of the size of organisation) (Table 8.6), and field staff were also availed field operating manuals to ensure they had accurate and adequate information for their tasks.

Generally, the working principles of agencies covered the following areas: a focus on development clients, quality of services delivered, a focus on sustainability and a willingness to develop long term partnerships with development clients. Others were a respect for human dignity and human rights, and providing services impartially and in a non-discriminatory manner.

8.2.5 *Situational Factors – Years of operation of the agency*

The consensus was that with age comes both experience and formalisation of work processes (National Director, Agency A; Projects Coordinator, Agency H; Overseas Programs Coordinator, Agency J). Agencies A, H and J had existed for

between thirty and fifty years. They had other characteristics in common such as involvement in multiple development sectors, large annual budgets of up to A\$20 million, program offices in multiple countries and providing financial support to specific projects for at least ten years. They also engaged in capacity building of partners and clients, conducted intermediate and end-of-project evaluation using external evaluators, developed strategic plans against which progress was assessed and engaged in policy evaluation. Their involvement in long-term development initiatives through continued financial assistance and capacity building contributed to addressing concerns of project sustainability. In addition, the full accreditation status of these agencies was an indication of their quality management, governance, reporting and accountability mechanisms as well as effectiveness in service delivery.

By contrast, Agencies C, D and F that had existed for less than twenty years were characterised by small annual budget of up to A\$500,000. They had few or no overseas offices and provided short-term financial support to projects, with a duration of no more than three years. Capacity building of partner agencies and development clients was often not a component of the projects, and project evaluations were not often comprehensive, as the short-termness of project assistance suggests that they were unwarranted. Agencies C, D and F also had no strategic plans, neither did they engage in policy evaluation. Agency C had base accreditation, Agency D had not qualified for AusAID accreditation, while Agency F had lost its accreditation status, a finding that may be construed as an indication of unsatisfactory or failing management, governance and effectiveness in service delivery.

Linking back to the characteristics defining effective service delivery on the right hand column of Tables 8.5 (a) to 8.5 (d), those agencies that have existed for longer appear to have more of those characteristics. It may be inaccurate to suggest that older agencies are more effective in service delivery, given that agencies G and L that had existed for 24 and 22 years respectively lacked these characteristics, while agency K that had existed for 13 years possessed most of

these characteristics. However, there does appear to be some positive relationship between the age of an agency and the possession of characteristics that were identified as contributing to effective service delivery.

According to the respondents, this may be attributed to the formalisation of repetitive work processes, thereby reducing the administrative burden, while documenting lessons learnt from the service delivery process and applying them to new situations. The experiences of an agency were only as good as its willingness to learn from them and adapt accordingly. Agencies A, J and K observed that the learning from experiences rather than the age of an agency contributed to effective service delivery.

In addition, a long existence also gave the agency an opportunity to test and evaluate its policy (as observed from Agency J) and build long term viable relationships. Positive relationships with the Australian community increased the likelihood for support. Relationships with overseas countries' stakeholders contributed to enhancing trust and a positive working environment with partner agencies and development clients. All these components contributed to an effective service delivery process (Agencies A, H and J).

8.3 Conclusion

This chapter has discussed the organisational factors and their effect on the service delivery process. Linking back to the theoretical model presented in Chapter Five, the strategy-process and the process-structure linkages have been discussed. In the strategy-process linkage, the fundraising and service delivery strategies have been addressed, explaining how the various strategies applied affect the process of service delivery. The relationship between the two variables is bi-directional (Arrow A). For example, if an agency decided to include a capacity building step of the service delivery process such as agencies A, H, J and K, then the fundraising and service delivery strategies would be designed in a such a way as to allow for that step to be included and implemented. On the other hand, a

short-term service delivery strategy as provided by agencies C, D and G limited the possibility of comprehensively incorporating all the steps of the process. Thus, in some situations, a decision was made on how the process was to be carried out and this determined the fundraising and service delivery strategy to be followed. In other situations, the viable service delivery strategy determined how the process progressed.

Closely linked to strategy, two other components have been briefly discussed – the policy and the working principles of the organisation. Although these were not in the initial framework, they were raised by respondents as important variables in making decisions on the process. As an example, the decision to include a sustainability component of the service delivery process in a project, was in some cases determined by an agency's policy to address that aspect, and they made a deliberate effort to ensure it was addressed. The fundamental working principles of an agency also guided such a decision, as well as placed emphasis on various steps of the process that the agency considered vital to achieving its goals. In addition, the learning experiences that were acquired over time were instrumental in future decision-making on policies and consequently on strategy. Thus, these three additional components – policies, working principles and situational factors influenced each other and the strategy for service delivery.

For the process-structure linkage, explanations were presented on how various structural designs affected the service delivery process. From the findings of the study, the relationship between structure and process appears to be a bi-directional one (Arrow B), thus supporting the suggestion that structure and process do determine each other as shown in the theoretical model (Arrows B and B₁). The geographical coverage of the agency to include overseas countries, job specialisation, centralisation, formalisation of work process, liaison between departments and with outsiders were all structural design components that had an effect on the process. For example, the geographical coverage of the organisation influenced aspects of the process such as project identification, funds disbursement, monitoring and evaluation as indicated by agencies A, B, E, H, J

and K. An organisation may be able to provide high quality funding arrangements by disbursing funds in a timely way (Section 7.3.3(g)) because it had an overseas office close to where the development clients were located. Conversely, lack of overseas offices may cause delays in funds disbursement. That is to say, the structure of the organisation determined how the process proceeded, and the quality of outcomes achieved.

On the other hand, 69 per cent of agencies surveyed had been restructured to address among other issues, the process components that may otherwise not been adequately addressed in the past. For example, the need to disburse funds in a timely manner, could result in the organisation being redesigned by establishing an overseas office closer to the recipients, to address that issue. This means that in some cases the process component determined the organisational structure, and in other cases (where a compelling argument may not be available to justify restructuring), then the process would progress to fit into the already existing structures.

By evaluating these organisational factors that influence the service delivery process, the study has raised issues of managerial concern for aid agencies. For agencies experiencing difficulties in some aspects of their service delivery process, this could be a starting point for evaluation. By identifying any inconsistencies between what they are trying to achieve (their goals) and the strategies and structures that exist, they may then begin to address such inconsistencies and establish better development management practices that improve on their performance and outcomes.

In addition to these organisational factors, respondents also identified other factors that had an effect on the process, generally by affecting the strategy. The issue of donors and the conditionality attached to funds, for example, determined the fundraising strategy, which in turn had an influence on the service delivery process. The next chapter systematically examines these external environmental factors of aid agencies to determine their intervening effect on the service delivery process.

CHAPTER NINE

EXTERNAL FACTORS INFLUENCING THE SERVICE DELIVERY PROCESS

9.1 Introduction

In addition to the organisational factors presented in Chapter Eight, there were also factors external to the organisation that influenced the service delivery process. From the theoretical framework presented in Chapter Five, there were two categories of external factors that influenced the work of aid agencies. These were the macro environment, represented by the political-legal, economic, socio-cultural, technological and international components; and the external stakeholder environment represented by target beneficiaries (also referred to as development clients), partner agencies, donors, governments and other non-governmental aid agencies.

This chapter examines these external factors to determine the extent to which they affect aid agencies, thereby impacting on the service delivery process. This analysis and understanding is significant to the extent that aid agencies can be more conscious of their environment, and where possible either adapt to the changes in the environment or manipulate the environment to meet organisational goals.

9.2 External Stakeholders

The external stakeholders not only had an interest in the agencies, but also a powerful influence on how the agencies were managed. Each category of stakeholders attempted to pursue its interests in the agency, and given that stakeholder interests were seldom the same, each aid agency had to prioritise them, while at the same time being accountable to all the stakeholders.

In the present study, the effect of the external stakeholders on the service delivery process was assessed by examining how the aid agencies responded to three challenges – the *identification*, *prioritisation* and *satisfaction* of stakeholder expectations.

Stakeholder expectations were *identified* with regard to the forms of services they expected from aid agencies, and the level of effectiveness both in service delivery and management of the agencies. While appreciating the significance of each stakeholder and the importance of responding to the needs of each, aid agencies acknowledged the difficulty in adequately addressing all the expectations identified and were faced with the challenge of prioritising them. *Prioritisation* was based on the influence of each stakeholder on the agency's operations. Based on the identification and prioritisation of stakeholder needs various strategies were formulated in an attempt to *satisfy* stakeholder expectations. Aid agencies' responses to each of the five categories of external stakeholders – development clients, partner agencies, donors, governments and other non-governmental aid agencies – are discussed below.

9.2.1 *Development Clients*

Invariably, development clients were identified as the most important stakeholder, owing to the fact that their presence justified the existence of the aid agencies.

“Without the development clients, the entire overseas aid sector would become redundant. Our agency would cease to exist” (*Progress Update 2000*, Agency E).

“We owe our existence and success to the clients we serve in developing countries. Without their numerous needs, our work would be of no consequence. Without them to encourage and reassure us, we may not have a reason to keep going. To see the impact of our work on their lives and their appreciation of our efforts makes our existence and work worthwhile” (Vice President, Agency C).

“We exist to serve the needs of development clients. We wish there was not such abject poverty in our world, and indeed our work aims to alleviate the poverty and injustices around the world. An ideal situation would be a world without poverty, in which case we would be without work, which I think would be a great thing. However, so long as poverty exists, our priority ought to be to take every opportunity to assist those we claim to serve, and to do so in a credible and effective manner” (National Director, Agency A).

Indeed, the annual reports and progress update reports of agencies recorded numerous stories of success, hope and appreciation from development clients. These stories were also used as a justification in fundraising appeals. Hence, development clients were also important in providing rationale for raising the necessary financial resources.

The expectations of development clients were varied, but generally included the need for aid agencies to respect and respond to their requests. For development clients, the implication was that they would have a voice in respect of the kinds of projects to be initiated, the location of those projects and the timing and duration of their implementation. This was important for both clients and aid agencies, and the policy implications for aid agencies were clear. The support of local needs identified by and involving development clients was important, if for no other reason than the fact that projects were more likely to be sustainable.

While aid agencies considered that it was important to support development clients in their own projects, the process of program identification and assessment described in Section 7.2 showed that the aid agencies made the ultimate decision in what, where, when and how to deliver assistance. This was probably because in the light of a vast range of development clients and needs (certainly more than aid agencies could manage), the power of clients to influence the decisions of aid agencies was limited and the agencies could decidedly determine where to direct their assistance.

This contradiction in terms appeared to be common among aid agencies – on the one hand development clients were considered the most important stakeholder, but on the other their needs were not necessarily given top priority as their ability to influence decision-making in aid agencies was limited, if at all existent.

Thus, regarding service delivery, development clients as stakeholders did not appear to have much influence, and their needs, though important, were not necessarily the top priority for aid agencies.

9.2.2 Partner Agencies

Partner agencies in developing countries represented the link between development clients and the aid agency (Figure 7.1). This link was particularly important for aid agencies that did not have overseas offices and staff, and depended entirely on partner agencies for project implementation. Partner agency staff were also important in establishing relationships with development clients as they understood local languages, and had a better appreciation of the political, socio-cultural and economic concerns of development clients.

Additionally, credit was given to partner agencies for their role in identification and prioritisation of the needs of development clients, project design, training of development clients, monitoring, evaluation and impact assessment of projects, policy evaluation and contribution to project sustainability. By taking responsibility for projects and providing managerial and technical support to development clients, they contributed to ensuring the benefits of projects continued to flow to the community.

In spite of their acknowledged invaluable contribution, partner agencies were characterised as having poor managerial and governance skills, and a low capacity to make decisions regarding project implementation. They were hardly granted any autonomy in decision-making particularly in respect of funds utilisation, and demands for timely reporting were sometimes so high that those who did not adequately meet them risked losing further financial support. While

some agencies provided training to address some of these perceived inadequacies, others provided little support to improve the managerial skills of their partners. Their claim was that it was not a policy consideration for them or that they lacked the resources for capacity building.

Consistent with their considered contributions, partner agencies expected that they would be granted increased autonomy in decision making in respect of most if not all aspects of projects, and that their contributions and feedback on the service delivery process would be respected. They also expected that aid agencies would provide some assurance on the predictability and reliability of funding. Irrespective of the funding arrangements, they hoped to establish and maintain long-term partnerships with aid agencies.

Unfortunately, not all agencies addressed these expectations. It was not a wonder therefore that the Program Manager of Agency F identified strained relationships with partner agencies as a problem for them.

“Relationships with our partner agencies have not always been smooth. Some have complained of our stringent reporting and accountability requirements. Others have complained of our short-term commitments to their work, and the fact that our financial contributions are sometimes insufficient to carry out any meaningful sustainable activities. We have not been able to resolve these issues yet” (Program Manager, Agency F).

The apparent inability or unwillingness of aid agencies to respond to the expectations of partner agencies resulted in tension that could be detrimental to project work and ultimate benefits to development clients.

Overall, partner agencies appeared to play a vital role in contributing to effective service delivery, and the apparent problems relating to governance and management were perceived as being within the scope of aid agencies to address through the provision of technical assistance in the relevant areas. The non-response to partner agencies' expectations, such as not providing for capacity building, or having regard for their priorities demonstrated a lack of

sensitivity by aid agencies. In cases where even the aid agencies had insufficient skills or other resources, the question remained as to how the needs of partners would be addressed. Other concerns such as reliability of funding and long-term commitment of aid agencies required both dialogue and policy review by the aid agency.

9.2.3 Donors

As discussed in section 8.2.2.1, aid agencies had four main donors – individual donors, AusAID, international agencies and corporations. Respondents noted that each donor had certain motivations and expectations, and on-going financial assistance was contingent on meeting specific conditions. The effect of donors on the service delivery process was determined by their expectations, and the extent to which aid agencies were able to address those expectations.

Some of the expectations that applied to all donors included accountability on funds utilisation, communication on project work and that the integrity of the aid agency be maintained. Communication about aid agencies and their work was essential for existing and potential donors. People wanted to know what their donations had done or were doing to alleviate poverty and suffering of the less fortunate. Only then could they be motivated to continue giving. The integrity of aid agencies was crucial as a way of increasing the support of current donors and expanding the donor base. Supporters needed assurance that the agencies they supported were ethical and effective in their activities.

For all donors, but especially for individual donors their expectations were that there could be a direct link between the donations they made, the activities of aid agencies, and the benefit to development clients, thus making their donations personal. According to Chief Executive of Agency B, it was this personalisation of donations and the apparent direct link between donations and response to needs, that made child sponsorship an effective method of fundraising. The ability to fragment seemingly insurmountable global problems to manageable tasks that individuals could contribute to not only motivated

further giving, but also gave a sense of satisfaction as individual donors felt reassured and appreciated that their small donations were worthwhile.

For AusAID, the expectations ranged from effective governance, management and accountability mechanisms, to providing assurance to the Australian public that the government was funding professional and effective organisations. These expectations were addressed through the rigorous accreditation process. Through this process, AusAID was able to examine the various components of the aid agency and give assurance to parliament and the taxpayer that the proportion of funds appropriated to overseas aid was justified and properly utilised (Overseas Program Coordinator, Agency J).

The expectation of the international agencies was that aid agencies had a global presence, and that by providing financial support to an agency in Australia, for example, they would essentially be supporting a global development agenda. It is no wonder therefore, that most of the agencies that received aid from international organisations had a presence in other OECD countries and/or in developing countries as well (Agencies A, E, J, K). Additionally, they hoped to collaborate on areas of research and development, policy dialogue and development, and the establishment of international standards or best practices in various fields of development.

The key to raising financial support from corporations lay in the ability of aid agencies to match their goals to those of the corporation, and as it were, “to speak their language”. An emphasis on financial growth and stability was an important clue to getting the attention and support of corporate givers (Chief Executive Officer, Agency E). Corporations were also motivated by a clear indication of the benefits they would reap from providing financial support to aid agencies. The benefits could be psychological such as recognition by the community, or economic such as an increased market share. The economic motivation made cause-related marketing especially popular (Overseas Programs Executive, Agency K).

However, some corporations were engaging in development work owing to a sense of corporate social responsibility. Agency K noted that part of the reason for forming a corporate council was to 'enlighten' corporations on why they had a responsibility to be involved. Ultimately though, the goal is to highlight the advantages to corporations for supporting overseas aid work.

Generally however, even when these expectations from the various donors were met, there were no guarantees that they would necessarily financially support aid agencies. Ultimately, giving was at the donor's discretion (Programs Manager, Agency F; Chief Executive, Agency L). Although some lobby groups and agencies had been actively advocating for increased funding from AusAID or the corporate sector, it was still within the right of the donor to determine how much to give, when and to whom. Yet, these institutions and individuals represented the resources base which aid agencies depended on almost entirely for their funding.

“Our dependence on donors for financial support coupled with their discretion to give, makes fundraising a major challenge, and donors our most influential stakeholder” (Programs Manager, Agency F).

According to Vice President of Agency C, aid agencies had to be able to answer the questions asked by all donors, “Why should I give to your agency?” and “What is in it for us?” Their success in fundraising depended on satisfactorily responding to these questions. Thus, although donors were not categorised as the most important stakeholder (the most important were development clients, as reported in section 9.2.1), they were identified as the most influential, and their needs and expectations had top priority due to their significant role in providing resources.

Overall therefore, the influence of donors on the service delivery process was in their ability to set the agenda of aid agencies to some extent, through determining the amounts and conditions of giving. The success of the service delivery process was dependent on the extent to which the aid agencies were

able to meet donor expectations, and therefore draw the necessary resources for their work.

9.2.4 Governments

The significant role of governments was in establishing regulations governing the operations of aid agencies. Each of the eight Australian jurisdictions (six states and two territories) had legislation governing the establishment of aid agencies and their registration as charities to enable them engage in fundraising. There were additional pieces of legislation explicating the manner in which fundraising was to be conducted. In addition, the Commonwealth Government had regulations regarding taxation and receipt of income tax deductible gifts. The Australian governments therefore influenced the service delivery process indirectly by influencing the legal environment in which aid agencies operated. An aid agency that was authorised to receive tax deductible gifts, for example, provided an incentive for donors to contribute to it.

In developing countries, the role of governments was a similar one – establishing regulations regarding the operation of overseas aid agencies and local community-based NGDOs. It was a requirement of the aid agencies that established offices overseas to operate within the legislative boundaries of those countries. And the legislative requirements could vary widely, from registration of agencies, to regulations about receiving overseas funding and/or fundraising locally, to involving government officials and departments with regard to projects in a particular sector (National Director, Agency A).

For example, a health project may require the approval of the ministry of health, and disagreements between the ministry and the aid agency could result in the project being cancelled altogether (Overseas Programs Executive, Agency K). The power of governments to veto project implementation underscored their important role during the identification and planning phases of projects. In some cases, this meant that projects were redefined to suit government needs in which case aid agencies, together with their partners and development clients would have to decide whether or not to proceed with the project.

The National Director of Agency A noted that while it was challenging to identify and abide by the regulations of the various overseas countries, the real challenge appeared to be in dealing with dictatorial governments that sometimes passed decrees that superseded existing legislation, thereby destabilising the work of aid agencies. Red tape and a maze of government regulations could be instituted overnight, severely affecting or restricting the work of aid agencies or their partner organisations. In some cases, changes seemed to make little room, if any for transitions. This sort of government reaction was often in response to a real or perceived threat to its hegemony.

In Indonesia, for example, government control of independent development agencies had existed for a long time, and there was a law authorising the government to seize and close any organisation ‘threatening to upset domestic security’. The circumstances leading to the “threat” were often open to interpretation, but the aid agencies usually did not have a mechanism through which to appeal the government’s decision (Vice President, Agency C). While none of the agencies that participated in the current study indicated that they had been dismissed from an overseas country, they perceived the threat as a real one and were often cautious on how relationships with overseas governments were interpreted.

On the other hand, there were countries such as Ghana where the government had not institutionalised very formal ways of dealing with the operations of development agencies. The Chief Executive of Agency E noted that while some partner agencies in Ghana had strong social objectives, they lacked the governance and managerial structures on which to implement them. Part of the reason was that there were minimum *ad hoc* regulations regarding registration and operations of development agencies. There was also a markedly low level of government control to ensure that regulations were adhered to.

Thus, depending on the government regulations, the operations and service delivery function of aid and partner agencies could be freely conducted or severely restricted. Also, depending on government regulations, aid agencies

may find that their partner agencies were well structured, governed bodies operating under a legislative framework, or they may be *ad hoc* poorly structured organisations. This may affect the choice by an aid agency regarding which partners to work with, and/or a decision on whether resources needed to be engaged to streamline governance structures before any development assistance could be provided.

9.2.5 Other Aid Agencies

The role of other aid agencies appeared to be that of contributing to the establishment of the aid sector regulations. Through their operational and managerial practices, for example, Agencies E and J had provided some guidelines and suggestions that could be adopted into regulations for the sector. Agencies generally provided criteria against which 'best practice' standards could be established.

Given that 64 per cent of the agencies surveyed indicated that they did not collaborate with other Australian agencies in project implementation, the collaboration function did not appear to be particularly important for the aid agencies. This low level of collaboration also meant that they could not hold each other accountable for their actions because they appeared to know little about how other agencies conducted their activities. In fact the Vice President of Agency C went so far as to suggest that the lack of collaboration and relative isolation of aid agencies contributed to weaknesses in development work. Lack of networking and extensive information sharing or participation in broad-based multi-sectoral research activities implied that agencies probably lacked sufficient knowledge to tackle the multiple complex development challenges they often faced.

They did, however, participate in working committees established either by ACFOA (such as the Code of Conduct Committee, and the Chief Executive Officers (CEO) forums) or AusAID (such as the CDC, the AusAID-NGO Gender and Development consultations, environmental consultative meetings, and others) in an attempt to bring some cohesion to the sector.

Thus, their contribution to the service delivery process as a whole lay in their participation and contribution to the establishment of accountability, governance and management practices in the sector.

Figure 9.1 below summarises the stakeholder expectations. An overall view of stakeholders shows their varied interests and expectations from aid agencies.

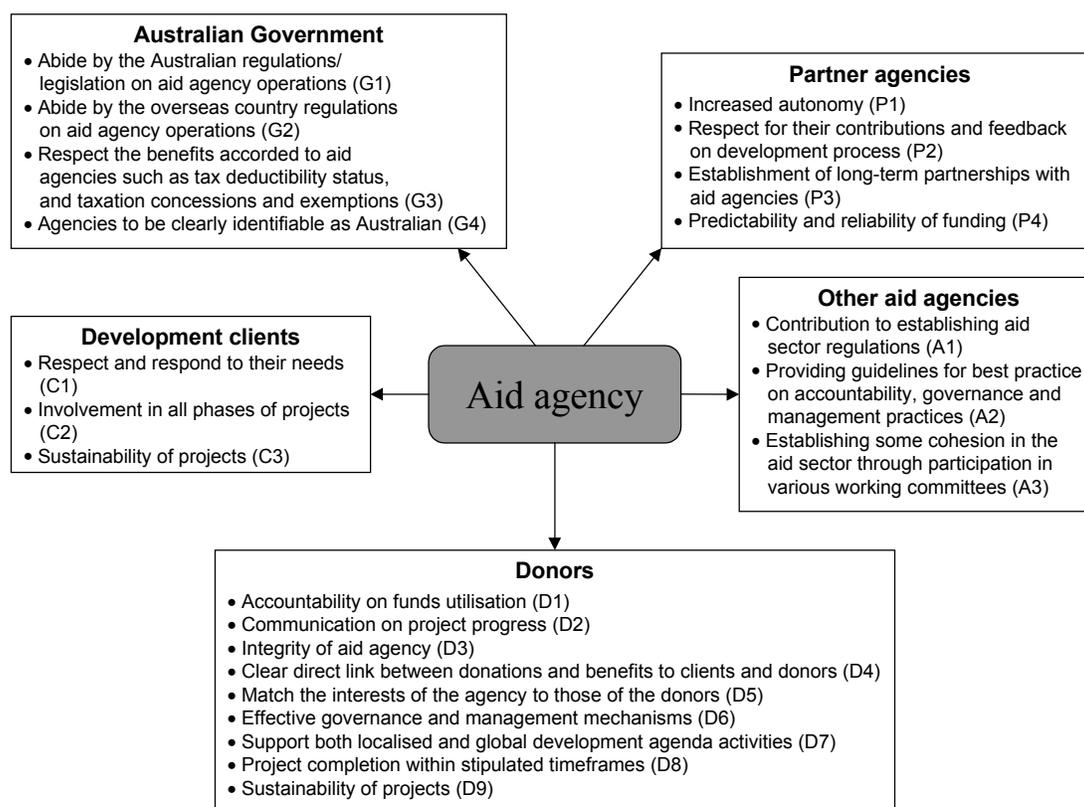


Figure 9.1. Stakeholder expectations

The challenge for aid agencies was that expectations were at times in conflict with each other, in which case choices had to be made and justified, as to which interests were given priority. As suggested by the respondents for example, their most important stakeholders (development clients) were not necessarily given priority in meeting their expectations (Section 9.2.1). Other such inconsistencies, or conflicting interests could be inferred from the expectations in Figure 9.1 above.

For example, meeting the P1 expectation of partner agencies, that is increasing their autonomy in decision-making (especially on funds utilisation), could conflict with the D1 expectation of donors who expected funds to be appropriated for the intended activities, hence leaving little room for shifting priorities and changing needs of development clients.

Another example was meeting the G1 expectation of the Australian Government in which aid agencies were expected to abide by Australian regulations on the operations of aid agencies could possibly conflict with expectation P4 of partner agencies that funding be predictable and reliable. This is because as elaborated in Section 4.4.3.2 and Section 8.2.2.1.2, AusAID funding tended to be short-term (one to three years), conditional and non-guaranteed. The implication for agencies predominantly funded by this source was that they could not provide for reliable, predictable funding to partner agencies and clients.

A more interesting observation though, was one in which the expectation of one stakeholder conflicted with another expectation of the same stakeholder. For example, D5 and D9 appeared to be in conflict. That is, for donors to continually be motivated to give, they expected the aid agency to provide services in which they (donors) had an interest. At the same time, they expect the projects that they supported to be sustainable. Given that project sustainability was often a product of among other things, community involvement and ownership (Section 7.5), a project that served the interests of donors but was not necessarily top priority for development clients, had a low probability of being sustainable. Expectations D8 and D9 could also be in conflict. Project completion within stipulated timeframes could be a hindrance to sustainability in instances where such timeframes were not sufficient to implement the plan for sustainability. The need for sustainable projects was raised as an important component of the service delivery process (Section 7.5) and also identified as an expectation of development clients (Section 9.2.1).

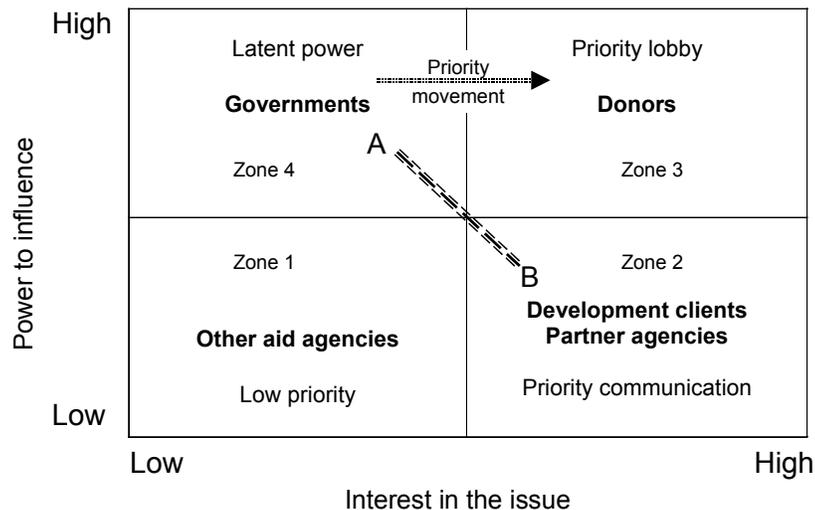
Figure 9.2 below presents other such possible conflicts between stakeholder expectations as identified by respondents or inferred from their comments.

Figure 9.2 shows incidents in which meeting the expectations of one stakeholder is either compatible (+) or possibly conflicts (+/-) with meeting the expectation of another stakeholder.

Donor expectation D5 (matching the interests of the aid agency to those of the donors) and D8 (project completion within stipulated timeframes) appeared to be most unpopular with development clients and partner agencies, as they appeared to present possible conflict and mismatch of expectations (they all have the +/- sign). These donor expectations could be viewed as being in conflict with development clients' expectations of respect and response to their needs (C1), involvement in all phases of projects (C2), and sustainability of projects (C3). They could also be perceived as being in conflict with partner agencies' expectations of increased autonomy (P1), respect for their contributions and feedback on the development process (P2), establishment of long-term partnerships with aid agencies (P3) and predictability and reliability of funding (P4).

Thus, the aid agency had a responsibility to balance between the various stakeholder expectations to provide the most satisfactory mix of services to stakeholders. This had implications for both their managerial and development activities. The choices to be made in respect of various expectations in effect had an influence on the manner in which services were delivered, and the effectiveness of the process. As most expectations were not perceived as being in conflict with each other (most expectations in Figure 9.2 have the + sign), it may be reasonable to assume that an agency that met most expectations was probably effective in service delivery.

In reviewing Perrot's two-dimensional stakeholder action matrix (Section 3.5.2.2, Figure 3.2), it is possible to trace where each category of stakeholders is likely to lie. Based on the findings and discussions presented in this section, Figure 9.3 below illustrates Perrot's model as it applies to the external stakeholders of aid agencies.



A  B Potential alliances/collaboration

Source: Adapted from Perrott 1999:226

Figure 9.3. Stakeholder action matrix

In Figure 9.3 above, development clients and partner agencies are shown as having low potential for influence, but a high interest in issues (in this case the development projects that are intended to benefit them). From this model, they ought to at least be kept well informed and aid agencies should endeavour to communicate with them regularly. Donors have high potential for influence and interest thus, take priority for action. Governments may not necessarily be interested in specific projects of aid agencies, but they do have the potential to influence decisions – as noted by some respondents, they can in some cases veto project implementation. As such, they have the power to become supporters or adversaries. Aid agencies appeared not to have much interest in what other agencies were doing, or power to influence decisions and actions, thus they were low priority for action and received little attention.

Aid agencies could review the model to determine if it represented how they would like to treat their stakeholders, and if not, consider ways that stakeholder positions could be shifted to more accurately reflect their rightful positions.

National Director of Agency A suggested that where relationships and positions of stakeholders were not as they should be, the role of aid agencies ought to be one of advocacy and educating the powerful and influential stakeholders. This was especially important where their power and influence was perceived as undermining the goals of the agency and effective service delivery.

In the theoretical framework presented in Chapter Five, the stakeholders were perceived as being a part of the external environment with two roles – as the end-users of the services provided by aid agencies (Arrow C), and as a feedback channel, through which both strategy and process were influenced (Arrows D and F). Arrow F is bi-directional demonstrating that stakeholders could influence or be influenced by strategy. For example, if an agency chose a multi-sectoral approach to service delivery, they could convince their stakeholders why such a strategy was preferred. On the other hand the demands of stakeholders could determine the more appropriate service delivery strategy – a multi-sectoral one or a single sector one, a short-term or a long-term strategy. The dual role of stakeholders placed them in a significant position to not only influence (or be influenced by) the strategy and process of service delivery, but also establish some stakeholder satisfaction assessment criteria through which the effectiveness of the process could be judged. A positive assessment by stakeholders suggested that stakeholder satisfaction was being realised and development goals achieved.

9.3 Macro Environment

The macro environment factors included the political-legal climate, economic conditions, socio-cultural climate, technology and the international context in which aid agencies operated. Much of the data available on these issues was obtained from documents such as annual reports, progress reports and funds appeal documents. Agencies explained the situations in some of the places they had worked, and how their overall mission was affected or enhanced by these macro environment factors. Each of these elements is discussed below.

9.3.1 Political-legal Climate

The political-legal climate refers to the different legal and government systems within which an organisation operates. At a specific level, the role of governments in charting the legislative environment of aid agencies has been presented in section 9.2.4. On a more general level, however, the political-legal climate includes circumstances in places other than those an aid agency is directly working in, and addresses broader issues than those specific to aid agencies.

Some of the political situations that had affected the work of aid agencies included the more than decade long civil war in Sudan, the Rwanda genocide and the two-decade long civil conflict in Sri Lanka. The violence in Australia's neighbouring countries – armed ethnic terrorism in Fiji, and the war between Indonesia and East Timor had also heightened concerns by aid agencies on the security in these countries, and questions arose as to whether any productive long-term development initiatives in these areas were likely.

Generally, the collapse of governments, civil wars, large population movements due to insecurity in their own countries or the destruction of infrastructure not only made aid work difficult, but put workers at risk as well. Often, long-term development initiatives had to be suspended to enable the provision of the immediate humanitarian assistance demanded by such situations. According to Agency 076, the problem with these man-made disasters is that they also cause people to lose their traditional coping strategies that have helped them survive natural disasters, thus assistance as well as the responsibility of the international community is much greater. They also jeopardise the success of long-term development projects, and threaten the long-term economic independence of the countries involved (Agency 076, *Annual report 1998*).

Another situation that presented a challenge for development initiatives was the form and structure of an overseas government – that is centralised versus decentralised, dictatorial versus democratic, or military versus civilian. The form

of government had an effect on the economic, political and social (in)equalities and (in)stabilities in the country. A form of government could be the root cause of long-standing tensions between a government and its people, and the civilians may look to the international community for assistance to deal with the injustices they suffer. Some of the tensions that may exist could be attributed to the lack of provisions for democracy and security by the government, or the violation of human rights due to dictatorial governments that have little regard for basic human freedoms and rights (*Aid and development*, Agency J).

International aid agencies in their attempt to reach out and assist the civilians in such governments found that they needed to be particularly prudent on how they approached the issue. According to Overseas Programs Coordinator of Agency J, a poorly organised campaign could lead to being denied entry into the country and further alienating the civilians from government. The form of government of a country was often a reflection of the politicians' perception of how leadership and governance ought to be conducted. It not only affected how they treated their own citizens, but outsiders as well. An aid agency whose motives may be perceived as interfering with a particular form of government, such as a dictatorial or military one, may find themselves charged with a wide range of crimes, deported to their home countries, their development work destroyed, and their presence permanently outlawed in that country.

In Australia, the political environment was equally important. The role of Australian political parties in shaping the policies on international development was significant. This may affect both the aid budget and the sectors and regions in which assistance would be targeted. One respondent made reference to a survey conducted by ACFOA in 1998, that indicated that while the Labor party was committed to increasing the aid budget in the future, the Coalition made no such commitments on aid levels. In this case, a change in government would probably determine the overall Australian ODA level, which would determine how much was available to non-governmental aid agencies. A government's support for increasing levels of overseas aid would hopefully translate to increased proportion of funding channelled through non-governmental aid

agencies. The discussions on the AusAID-NGO cooperation in this regard have been presented previously in sections 4.4.3.2 and 8.2.2.1.2. Invariably a decline in the aid budget would hurt the work of aid agencies. It was no wonder therefore that ACFOA was constantly advocating for increased levels of aid, while at the same time attempting to educate politicians on the significance of overseas aid to Australia.

9.3.2 Economic Conditions

From the developed countries' perspective, the overseas aid sector was particularly keen to follow closely the trends of OECD countries with regard to international development. Although the OECD Development Assistance Committee (DAC) sets the agenda in terms of trends and levels of aid that each country ought to contribute, it is still at the discretion of each country to determine their level of contribution. And as noted by Chief Executive of Agency B, the problem is that OECD countries tend to gauge their performance against each other rather than against the OECD DAC targets. Hence, if some of the countries make a contribution that is far below the target, others are inclined to do likewise. According to the Development Program document of Agency J,

“It is not difficult to see why the contribution of the Australian government is only 0.28 per cent of the GNP, which is almost a third of the 0.7 per cent target of the OECD. Relative to other OECD countries, Australia is in the eleventh position. Also, as the trend towards globalisation continues to grow, overseas aid is losing its position as economic rationalism takes over. That is why we have to continually lobby for increased levels of overseas aid. When there are more than 100 million people suffering in neighbouring Indonesia, more than half a million in Fiji, quarter of a million in East Timor and millions of others internationally, it is not in Australia's best interest to be cutting back aid. In fact that would be a misguided move.”

Closely related to the advocacy for increased levels of ODA by the OECD countries, there had been campaigns on debt reduction and relief of poor countries (in which Agency A was involved) and on fair trade practices (in which Agency J was involved).

The economic conditions in developed countries determine people's ability to make financial contributions. It was suggested, for example, that the minimal growth on donations from the Australian public in 1990-92, as shown in Figure 4.2 was due to the economic recession experienced in Australia in 1991, and the resultant effect on household disposable income, and level of employment.

From developing countries' perspective, the general economic conditions of local communities were perceived as having an effect on the success and sustainability of projects. Chief Executive of Agency B and Overseas Programs Executive of Agency K observed that in a community where the economy was growing and small-scale business people needed a boost to help them over a difficult terrain, then development assistance could be provided in terms of loans. Loan repayment rates were generally high, and the development clients were not dependent on the assistance. Sustainability of activities and benefits could be anticipated. Such a situation may work well for aid agencies because it meant they could achieve much with little input, over a short duration and with a high probability of financial sustainability. It, however, begs the question of whether they would really be assisting the "poorest of the poor" as is often expressed in their mission statements. Should working with poor communities be traded off with projects that have a higher chance of achieving financial sustainability targeted at middle-income communities?

On a more general level, the economic recession in a developing country could pose a challenge. Chief Executive of Agency E observed that economic recession had presented a problem in their micro-enterprise development activities in two countries. Small businesses were struggling to break-even and loan repayments became difficult. To address this problem the agency had undertaken to provide some concessions such as lowering interest rates, and

increasing grace periods for loan repayments. In extreme cases, debts had been cancelled.

Agency H also acknowledged the effect of economic recession in their program countries. To reduce its effects to their work, a provision was made in the budgeting of activities, to take into account the cost of inflation.

9.3.3 Socio-cultural Climate

Respondents noted that socio-cultural issues were at times very difficult to address. They represented the core of a community, their values and belief system that had been built over decades, sometimes centuries. An understanding and appreciation of such values was vital if an aid agency hoped to engage in any work fruitfully. In addition, it may be important to understand what distinguished one community from another in the same country.

The Vice President of Agency C noted that in a country like Australia and other developed countries, the idea of ethnicity, different cultural values and animosity between groups was not always easy to understand.

“It is sometimes very difficult for us to understand the animosity that exists between some ethnic communities, and at times how deeply they resent each other. We therefore have to be very diligent and patient as we work with different communities, so that we can establish trust with all of them. We also endeavour to be impartial in rendering our services” (Vice President, Agency C).

Agency C had worked with two different communities in one country and found that the principles applied in one community did not apply to the other. In one community for example, women had more responsibilities in the household in terms of decision-making and income-generation. In a second community in the same country, women were in a subordinate position and could not make significant decisions without the authorisation of a male figure in the household.

An acknowledgment of such differences became very useful when making decisions, designing projects, planning community meetings, and mobilising communities to undertake an activity.

Ethnic disputes between communities were also noted. Some communities were constantly at war with each other and at times deliberately sabotaged each other's projects. At its extreme, ethnic dispute can go into a full-scale war sometimes referred to as "ethnic cleansing". This kind of war had been experienced in Rwanda and Kosovo.

With regard to socio-cultural factors, another issue identified by Agency K was that of human rights violations. There could be discrimination in a community on the basis of gender, status, class or religion, and in such cases, the discrimination was taken as a fact of life that was often unchallenged by those who suffered and held in reverence by those who practiced it. The position of aid agencies operating in such a situation could be a precarious one, especially if their activities were perceived as attempting to interfere with the "natural order of things."

The complexity of the socio-cultural environment therefore presented challenges in the way NGOs organised their activities, as well as challenged some of their assumptions about the relationship between cultural systems and the service delivery process.

9.3.4 Technological Factors

There was a growing awareness and appreciation of the role played by technology and innovation in economic, social and political development. It was noted that in order for technology to play its proper role, it was important to consider both the positive and negative effects that could arise from its use. On a positive side, its use resulted in improvements in productivity owing to new and applicable knowledge, which enabled an improvement in people's way of life (Agencies E, G and H). On a negative side indiscriminate and poorly

planned use of technology could result in environmental degradation and disruption of social networks and relationships (Agency G).

Academics and practitioners in development studies have coined the term 'appropriate technology' to refer to technology that aims to address these two issues – that is, contribute to improving the standards of living of users, while at the same time preserving their social interactions. The technology was identified as 'appropriate' when it conformed to the culture of the community in which it was being used, was affordable and could be maintained by them (Agency G).

The Administrator of Agency G noted that it was not easy to design technology that was appropriate for targeted users.

“Most of the technological innovation takes place in the industrialised world. We aim to transfer that technology and use it in ways that benefit the development clients. But we have not been particularly successful in using locally available materials to design the equipment required for our hydroelectric power projects. Equipment has to be imported, making both the initial investment and maintenance costs high.”

Together with the technology specific to a particular form of production, was the rapid global growth of information and communication technology (ICT). Aid agencies noted that ICT use presented both benefits and challenges. In terms of its potential benefits was the power of ICT to facilitate timely communication and reporting^a.

Of the agencies that responded to the mail survey, 80 per cent indicated that they required reports from their partners at least twice a year. Agency F admitted to wrongful termination of a project owing to delayed reporting. The termination was wrongful because the delayed reporting was caused by a host

^a Some of the findings in this section on information and communications technology (ICT) have been published in an article written by the researcher. Kiraka, R.N and Manning, K. (2002) Getting online: Australian international development agencies and ICT use.' *Journal of International Development* 14: 75-87.

of complex problems, including lost mail and complications in project implementation. Agency F acknowledged that had information been shared more readily, problems could be addressed as they arose, or at the very least the agency would have been aware of the difficulties faced by partners.

Agency E appreciated the power of ICT in establishing global development networks, and noted that as the technology advanced, such networks were becoming easier and cheaper to build and maintain, and ICT facilities were becoming more affordable and accessible.

According to Agency H, another important role of ICT was in facilitating research and development. Seventy-three per cent of agencies indicated that they usually or always did background research to determine the level of need. They had mainly relied on government statistics and word-of-mouth communication to gather the necessary information. This step proved especially frustrating because information was either unavailable, or where available, its retrieval was hampered by poor storage. Documentation was often sketchy, and informants not always reliable. Agency H considered ICT a significant tool in facilitating research and development work, once a system of information documentation and retrieval was in place.

The Chief Executive of Agency E appreciated the significance of ICT in establishing wider business networks for development clients and partners, as evidenced by the following comment:

“It is not so much the lack of business management skills as the lack of access to markets that cripple at least fifty per cent of the businesses of our clients. And this is where ICT use can help our partners. They can identify vital information about pricing and markets for their products and services beyond their local boundaries. This could greatly assist local businesses to make informed business decisions about what to produce, when, in what quantities, for whom and at what price. This could also save them from being ripped off by middlemen.”

The agencies, however, acknowledged that while ICT use had many potential benefits, practice showed that a range of problems hindered its use across national boundaries, and especially in developing countries. One was the lack of access to both hardware and software in developing countries. However, prices of hardware had dropped considerably in the last decade, giving aid agencies the opportunity to contribute to alleviating this problem (Chief Executive, Agency E).

However, the lack of infrastructure to support ICT use presented a more complex and large-scale problem. The complete lack of infrastructure (specifically, power supply and telephone lines), or unreliable services for partner agencies meant that even for those with access to ICT equipment, connectivity still presented a problem. With stiff competition for the few telephone lines available and with only a few Internet service providers (ISPs) available compared to demand, the costs associated with using ICT had proved prohibitive or at least limited its use in some developing countries. Costs of communication rose as high as ten to fifteen times the amounts paid for similar services in Australia (Projects Coordinator, Agency H).

In addition to the infrastructure to support ICT, the general lack of basic infrastructure in other areas posed significant difficulties to aid agencies. Access to project sites where roads were non-existent was problematic as was communication from remote areas. It took long durations to deliver information where telephone lines were virtually non-existent and postal services unreliable. It was important for aid agencies to understand and appreciate the significance of these circumstances to avoid unnecessary frustration when partner agencies were unable to communicate regularly (Administrator, Agency D; Overseas Programs Executive, Agency K).

Thus, the technological environment posed multiple challenges regarding the infrastructure to support communication and the cost of maintaining it. As these concerns were not homogeneous to all partners and clients, aid agencies had to

identify the concerns specific to a particular situation before embarking on long-term assistance programs.

Agency H noted that technology was globally appreciated as an important tool in economic, social and political development. Aid agencies were therefore probably under pressure to update the information and communication technology within their own agencies, while facilitating access to technology to those with less access, otherwise poor communities risked remaining isolated, unable to benefit from global resources, and unlikely to break from poverty.

9.3.5 *International Context*

“We are living as part of a global community. We are linked by trade, finance, health, immigration, peace and war. The issue of what happens in a country that is not doing well can now be readily transferred to another country in the developed or developing world. In every way we are dealing in one planet and are all very directly linked to each other” (Chief Executive, Agency E).

Globalisation, perceived in the interconnectedness currently experienced in the world, had gained popularity in some sectors of society, but not in others. While for some it represented a wide range of opportunities for economic growth and expansion, for others, and especially for those in the overseas aid sector, it represented growing inequalities and widening gap between the rich and the poor (Agency H). An even greater source of anxiety according to the *1998 Annual Report* of Agency 076 was the social concerns arising from exclusion and social disintegration.

“We know that we ought to respond to the trend towards globalisation. One way of doing so may be that those agencies that are only based in Australia should consider having overseas branches and/or collaboration with other agencies overseas (both in developed and developing countries). This way, the impact is likely to be felt more widely as more

people become aware of the activities of aid agencies and make financial contributions thereby increasing the financial base. However, whether this actually works well in practice or not remains to be seen” (Chief Executive, Agency E).

“A look at the 1997 East Asia financial crisis suggests that it is not easy to determine the effects of globalisation, even for those multinationals that may consider themselves prepared for the challenge. It is even more difficult for aid agencies that may lack the resources (financial, technical, information) to be able to address this issue. Yet we are presented with the challenge of ameliorating the ill-effects of globalisation and ensuring the benefits were realised by many – a task that is beyond the capability of many aid agencies” (Administrator, Agency G).

Thus, while the agencies studied appreciated the complexity of the globalisation process, they appeared to have difficulty envisioning how to respond to it (Agencies E, G, H).

The question of how to respond to the changes in the global community is a challenging one for non-governmental aid agencies, governments, the private sector, and other international development agencies. A form of global networking is required to be able to understand the current trends and anticipate future directions, so that strategies can be more effectively planned to respond to crises in the future (Chief Executive Agency E, Overseas Programs Executive, Agency K).

9.3.6 Natural Disasters

Humanitarian relief that is necessitated by natural disasters such as floods, earthquakes and drought was described by Agency A as a deviation from the core purpose of the work of aid agencies, and an obstacle to real development. The main role of aid agencies is in the establishment of medium and long term assistance programs, through which communities can continue to reap benefits over a long time.

Some of the natural disasters that Australian aid agencies had responded to in the past five years included the Papua New Guinea (PNG) drought in 1997 and tidal wave in 1998, the Hurricane Mitch in Central America in 1998 and the on-going drought in Ethiopia, India and Sudan. Others were the earthquakes in India and Turkey, and the floods in the Mekong region, Mozambique, and Venezuela. Both the government and the Australian community had contributed resources to assist the victims and survivors of these tragedies.

In terms of impacting on development work, natural disasters, like man-made disasters caused resources – financial, human and technological to be diverted from on-going long term development programs to alleviate the immediate suffering as done by agencies H and J. In some cases, the long-term programs were completely destroyed, such that not only were resources required to address the immediate humanitarian concerns but also for people to start rebuilding their lives. This can be a very long and difficult process especially in cases where basic infrastructure has been destroyed (Overseas Programs Coordinator, Agency J).

On a positive note, Overseas Programs Executive of Agency K admitted that dealing with disasters had helped to improve the profile of the agency to both the Australian government and the public. This had increased the level of confidence placed on the agency in terms of response to not only humanitarian assistance, but long-term development programs as well. Such confidence had resulted in increased financial support by the public and from AusAID.

As viewed from the theoretical framework (Chapter Five) and the discussions above, the macro environment factors influenced organisational strategies (Arrow E). They determined how funds were raised and from whom, as well as the service delivery strategies that were likely to be more beneficial. For example, where economic, political, technological and social services structures were non-existent, a multi-sectoral approach was probably necessary as a single sector approach could be ineffective due to the interconnectedness between sectors.

The macro environment placed Australian aid agencies in a position where they needed to first, understand and appreciate the situation and the forces at work in a community even before embarking on any planning of their development activities, so that strategies could be developed accordingly. Second, there was need to build stronger alliances both locally and international, with other development organisations, and other sectors because ultimately what happened in other countries affected the decisions made domestically, and also because the effects of the macro environment were often more adverse than any one institution could singly address.

9.4 Conclusion

This chapter has discussed the role of the external environment in influencing the service delivery process. Four conclusions can be drawn from this analysis.

First, both the stakeholder- and macro- environments are significant and cannot be ignored as agencies engage in their work. They are critical factors in determining the outcome of projects, hence the need to consider them in the planning phases of projects, to ensure projects remain relevant and coherent to the context in which they are being implemented. Ignoring them is likely to be destructive to the process as they become more apparent in later stages of the project, causing projects to be stalled, or altogether abandoned, not to mention the waste of resources and the frustration experienced by all involved.

Second, development contexts are different. Even where projects are implemented in one country, the socio-cultural, economic conditions or stakeholder interests of different communities could make a difference to how development work is perceived and approached. An understanding of each situation is important. Assumptions about their circumstances are likely to cause resentment from development clients, which can be difficult to overcome. This in turn impacts on the success of projects. This implies that while '*potential replication of projects*' has sometimes been presented as a criterion in the screening of project proposals (Section 7.2.2; Streeten 1997), that view may not be justifiable when placed in the context of development work. Maybe the criterion should be the '*replication of ideas or models*' (as noted by Agencies A and H), rather than projects because strictly speaking, projects cannot be replicated as conditions will almost always vary.

Third, the diversity of contextual situations makes generalisations difficult and policy formulation a complex task. Aid agencies need to be careful in developing policies to ensure that while they remain focused and clear, they are also flexible enough to allow for the different contexts in which they operate. This is especially important with regard to socio-cultural and political climates in various countries and contexts.

Fourth, the complexity of the external environment suggests that aid agencies probably need to collaborate with other sectors in addressing development issues. The involvement of governments, the private sector, and other international aid agencies may assist them to gather information on stakeholder management issues. Engaging with the academic institutions, for example, in research and analysis of contexts may facilitate in providing coherent and comprehensive data to provide a better understanding of the macro-environment. Together these sources of information are likely to provide a rationale against which development strategies can be planned and developed.

Together, the stakeholder and macro environment demonstrate the intervening effect of external factors on processes and consequently on goal achievement. They intervene by influencing strategy and process, determining the various combination of strategies to be used in service delivery and fundraising, as well as the steps of the service delivery processes on which to place most emphasis. Stakeholders are especially important as they also determine the “bottom line” of agencies, thereby determining what will constitute goal achievement, based on the satisfaction they receive from an agency. They therefore constitute a strong intervening variable – influencing strategy, process and determining the criteria against which agencies can be said to be performing well and achieving their goals.

SECTION FOUR: DISCUSSIONS AND CONCLUSIONS

CHAPTER TEN: DISCUSSIONS

CHAPTER ELEVEN: CONCLUSIONS

CHAPTER TEN

DISCUSSIONS

10.1 Introduction

The theme of the current study has been on the significance of a process-based analysis of donor NGOs. The problem identified was that donor agencies conduct program and project evaluation of field activities – a form of evaluation that lends itself to criticisms. This is due to its inadequacy and incompleteness in addressing all the factors that contribute to development – most especially the donor agency dimensions of policy, objectives, requirements, capabilities, strategies and operations (Ball & Dunn 1996; Eade et al. 2000; Fowler 1997; Jackson & Donovan 1999; ODI 1996; OECD 1992).

The study has focused on organisational processes as a way of identifying and explaining the donor agency factors that contribute to development. The definition of the process perspective presented in Chapter Two included two components: the transformational component, which defines the processes involved *within* organisations that convert inputs to outputs, and the transactional component that defines the relationship *between* the organisation and its external environment. The transformational component has been discussed in Chapters Seven and Eight, showing the processes of organisations in achieving their outputs, and the strategies and structures involved in converting inputs to outputs. Chapter Nine has discussed the transactional component, demonstrating the organisation's relationship with the external environment – specifically, the external stakeholders and the macro environment.

This chapter aims to bring together the findings presented, and identify key issues and trends, as well as general directions, contexts and future of donor non-governmental agencies in international development.

The chapter addresses the following four areas. First is a summary of the findings showing the relationship between what the study found and the objectives of the study. Second, is a discussion showing the relationship between the study findings and previous research. Third, is a review of the theory used, to determine its role, appropriateness and adequacy in conducting the research. Fourth is the significance of the study findings to non-governmental aid agencies.

10.2 Summary of Findings

In presenting the findings in Chapters Seven, Eight and Nine, qualitative and quantitative data have been presented together showing similarities between those agencies that were interviewed and those that responded to the mail survey. The two forms of data have provided confirmatory evidence thereby increasing the validity of the findings. These chapters have responded to the first two research questions:

- What is the relationship between NGDO organisational processes and the achievement of their development goals?
- What intervening effect do the internal and external factors have on processes and consequently on goal achievement?

A summary of the findings in response to each of these questions is presented below.

10.2.1 Question One: Determining the Relationship between Processes and Goal Achievement

One of the assumptions taken in the study was that while appreciating the fact that aid agencies are diverse (Fowler 1997), there are underlying principles that guide (or should guide) the process of service delivery. Based on the goal of international development (AusAID 2000a; Cowen & Shenton 1996; Eade 2000; Edwards 1999; Thomas 2000a) the study identified the service delivery function of aid agencies as

a core process (Glaser 1978), which formed the basis of the study. It has been used to assess what NGOs do and how they do it. By providing this process-based perspective on how services are delivered to developing countries, problematic steps within the process have been identified. Variations between how different agencies engage in the process have also been noted and discussed. This is an important exercise in determining what is likely to make for a successful project (Fowler 1997), and in building theory about organisational processes of non-governmental aid agencies.

As with any process, the service delivery process has an arbitrary beginning and end (Davenport 1993; Nickols 1998). In the study, the beginning of the process was identified as when aid agencies make the initial contact with partner agencies and development clients. The arbitrary end was on impact assessment. The involvement and contribution of the various principal actors – the aid agencies, the partner agencies and development clients to the overall success of the process was also established, as demonstrated in Figure 7.7.

The study found that the service delivery process involved the following sub-processes – project identification and initial assessment, project implementation, and project monitoring, evaluation and impact assessment. Throughout these sub-processes, the issue of project sustainability (also a sub-process) was addressed. Each of these sub-processes had multiple steps. These are summarised below.

Project identification and initial assessment: This sub-process consisted of four steps, namely project identification, screening, project design and review of design (Figure 7.2). The agencies identified areas of need, prioritised those needs, and designed project proposals, which were reviewed by several committees to ensure their viability. Emphasis in this sub-process was on accessing valid data, to ensure that the communities receiving assistance were as far as possible, those most in need of that assistance. The agencies therefore used multiple methods of data collection, including government statistics of the target countries, data from

multilateral organisations such as the UN agencies, and interviewing potential partner agencies and development clients.

The assumption was that achievement of development goals was contingent on among other things, the identification of viable projects and the meticulous documentation of proposals in ways that increased the likelihood that they would be successfully implemented.

Project implementation: Three steps were involved in this sub-process – signing of contractual documents between the aid agency and partner agency, building the capacity of partner agencies and development clients, and engaging in high quality funding arrangements. The respondents noted that the signing of contract documents was useful in outlining the responsibilities of each partner to avoid any misunderstanding and promote a positive working relationship.

Agencies A, B, E, G, H, J, K and L noted that the objective of building the capacity of partner agencies and development clients, was to increase the probability of project sustainability as these partners took over the responsibility of managing their projects with little or no overseas support. While the capacity building of partner agencies could be structured and conducted in a formal way, agencies A, J and K noted that training development clients was more challenging. This was attributed to their divergent and often low literacy levels, and the difficulty of translating complex development terms to local languages.

As funding agencies, respondents identified the most important aspect of the implementation process as that of having quality funding arrangements. Adapting from the criteria developed by Fowler (1997:129), quality funding arrangements were defined as those that matched the needs of partners and clients, to the needs of aid agencies. The respondents affirmed that funding arrangements were of high quality if and when they met the following eight criteria:

- (i) The needs and expectations of partner agencies and development clients were met. These included the need to respect their requests for assistance, facilitate autonomy in decision making, establish and maintain long-term partnerships with them, and provide assurance that the funds negotiated at the start of a funding contract would be available throughout the implementation process.
- (ii) The utilisation of funds was monitored by the aid agency to ensure they were used as appropriated.
- (iii) The level of administrative burden associated with funding was kept to a minimum. This implied simple reporting and accounting mechanisms, although the respondents noted that the requirement to adhere to specific regulations of the Australian government in this regard limited the extent to which they would simplify or reduce the administrative burden associated with funding. However, they attempted to address this issue within the regulations.
- (iv) The duration of assistance to projects was sufficient. There was much variability with regard to duration. While some agencies such as A, B, H, J, and K provided project assistance for at least ten years, the assistance provided by others like E and F was for no more than five years, and less than a year for D and L. The variations were either due to the agency policies that limited the duration of assistance, or availability of funding. Those that provided funding for a long duration suggested that it contributed to improving the quality of funding arrangements as it gave sufficient time for projects to take root in the community. However, those that had shorter timeframes argued that a shorter timeframe did not necessarily imply lower quality.
- (v) The continuity of assistance could be negotiated beyond the initially planned timeframe. In this respect, there were debates as to whether such continuity resulted in improving or lowering the quality of funding arrangements. Again, for agencies E and F whose policies did not favour long time frames, they

argued that such continuity of assistance was counterproductive and resulted in lower quality due to its potential to create dependency. Others like A and B argued that it improved the quality. Agencies J and K, however, indicated that while continuity of assistance may not be desirable, it was important to ensure that the initially negotiated time frames were long enough (not less than ten years) to prepare partners, and plan for the reduction in assistance.

- (vi) The sustainability of projects was likely. All respondents indicated that this was a desirable component of any development assistance program.
- (vii) The funds were disbursed in a timely manner. Timely disbursement was defined as providing funds when they were required by the partners and clients. However, respondents noted that funds were not always available when required, which caused projects to stall. On the other hand, the pressure to spend the allocated funds within stipulated timeframes (especially in the AusAID NGO Cooperation Program (ANCP)), meant that they had to be expended quickly. Where there was pressure to expend funds quickly, the agencies had to balance between the pace of project implementation by partners and clients, and the pace at which funds were to be expended.
- (viii) The funding arrangements were appropriate – that is, the aid provided was appropriate. Appropriateness referred to the extent to which aid objectives, activities, outputs and outcomes matched the needs and priorities of partners and clients. To ensure this, agencies A, B, H and J noted that they did not initiate any projects and allowed potential partners to identify what their needs were, as a way of increasing the likelihood that aid provided was appropriate. Agencies E, G and L in their respective specialist sectors of micro-enterprise development, hydro-electric power generation and eye treatment, provided assistance that corresponded to their key competency areas, while agency D acknowledged that its in-kind assistance was inappropriate as it did not always address the needs of partners and clients.

At the implementation stage therefore, agencies attempted to incorporate components that increased the likelihood of successful project activities which cumulated to achievement of development goals. Through capacity building and high quality funding arrangements, agencies hoped that they would be able to generate the necessary outcome required for improved wellbeing for their clients.

Project monitoring, evaluation and impact assessment: This was important in assessing the extent to which project objectives had been realised. Monitoring was common to all agencies. Types of project evaluation and the scheduling of these was dependent on the duration of project assistance, the size of the grants and the objective of the evaluation exercise. Agencies C, G and L whose activities spanned a year or less had a single evaluation exercise at the end of that period. The findings of such an evaluation were used to improve on future projects. Agencies E and F had single funding cycles (each three to five years long) and conducted one major evaluation activity at the end of that cycle. The findings were used in other projects. Agencies A, B, H, J and K whose funding for a particular project spanned many years and multiple funding cycles had an intermediate evaluation at the end of a funding cycle or the end of the year. Data gathered were used to improve on future cycles of the same project. Agencies A and K had project committees in Australia that were responsible for ensuring that a high quality of evaluation activities was maintained.

In addition to the evaluation of projects, agencies A, J and K were involved in policy evaluation exercises in which they evaluated their own policies and practices to assess the extent to which they enabled or hindered the achievement of their development goals.

Impact assessment referred to the measurement of long-term effects sometimes during, but usually after, the funding period. While it was acknowledged as an important part of the management process, it was identified as a difficult part of the process. This was mainly because of lack of funds to conduct it, and the long duration between implementation and assessment not to mention the possibility of

other factors in the environment of partners and clients that could have contributed to positive or negative results.

However, in all, the monitoring and evaluation component aimed at making a value judgement on the worthwhileness of project activities and where possible steering them in order to achieve the intended benefits and outcomes. This dimension of the process of service delivery was therefore very important in comparing intentions (as indicated in missions statements and the development goals of the organisation) and outcomes. Only when such comparisons have been made and points of convergence identified can an agency claim some success in service delivery and therefore achievement of goals.

Project sustainability was defined as a decreased dependence on external funding. It referred to the sustainability of benefits to the partners and clients, sustainability of future recurrent costs associated with a project, and sustainability of institutional capacity building of development clients. All the agencies identified this as an ideal that they aimed for but had not fully realised.

Respondents identified a number of factors that they perceived as contributing to sustainable development. These were:

- Including sustainability as an objective at the planning stage of projects;
- Engaging in high quality funding arrangements to provide consistent continuous funding for a period of at least ten years;
- Taking responsibility for promoting sustainability by having an action plan that involved the partners and clients;
- Engaging in building the capacity of partners and clients;
- Where possible, facilitating an improvement in the economic status of clients through income generating activities;
- Promoting the use of locally available materials and technology;
- Involving government officials of partner agencies as an acknowledgment of their influence on partners and clients;

- Where possible, taking into consideration external factors such as economic, socio-cultural or political circumstances of clients and partners, during the planning stages of the project;
- Encouraging partners to invest funds availed to them so as to generate funds that can be used continually to avail benefits to clients;
- Involving a younger generation to take leadership roles and responsibility for managing projects.

Sustainability was recorded when partners and clients were able and willing to contribute resources to projects, support each other in project management and community leadership, and graduate from projects that provided basic services to higher level ones that involved policy and advocacy issues.

Good development management practices were identified through each step of the process, such as the steps involved in identifying viable and justifiable projects, practices that promoted high quality funding arrangements and those that increased the likelihood of sustainability. These practices were identified as representing good development practices because of their contribution to the achievement of overall development goals.

A determination of the service delivery process facilitated the response to the second research question – determining factors that had an intervening effect on processes. This was done by identifying the variations on how agencies described processes, and accounting for them through an examination of factors both within and external to the organisations.

10.2.2 Question Two: Determining the Intervening Effect of Internal and External Factors on Processes

One observed characteristic in describing the process was the variations. No two agencies described the process in exactly the same way (Glaser 1978). There were variations particularly in the implementation process. For example, eight agencies engaged in building the capacity of partners and clients, while three did not (section 7.3.2), there were varied interpretations of some of the components of quality funding arrangements (section 7.3.3), and agencies had different policies with respect to particular aspects of the process. There were also variations in the project monitoring and evaluation process (section 7.4), in addition to which only three of eleven agencies evaluated their own policies and practices (section 7.4.2b). This section reviews some of the reasons identified for the variations.

10.2.2.1 The Intervening Effect of Internal factors

Five categories of organisational factors that influenced the service delivery process were identified. These were the policies, organisational principles, strategies, structure and years of operation of the agencies. These factors accounted for some of the variations in processes between the agencies. The policies of agencies E and F, for example, limited financial assistance to projects, to a period of no more than five years, while those of agencies A, B, H, J and K provided for longer durations of assistance.

Respondents A, J and K noted that different organisational principles or philosophy of the agency also contributed to variations in service delivery. The principles were designed to include aspects such as a focus on development clients, quality of services delivered, regard for human rights and dignity, and providing services impartially. Such principles were viewed as part of the identity of the agency – that which distinguished one agency from another – and ultimately guided (or were intended to guide) the strategy formulation and implementation activities of agencies. If an agency perceived capacity building of partners and clients as

fundamental to its work, then such a component was included in most or all of its activities. Activities would also be conducted in such a way as to be identifiable with that particular agency.

The difference between organisational principles and policies was in the way they were perceived by the agency. Principles represented the belief system and ideals of the agency and were fundamental to its activities, while policies were guiding statements that were generally reviewed and changed as required.

Regarding strategies, the two main strategies studied – the fundraising strategies and the service delivery strategies, also accounted for variations.

The respondents identified the following criteria for choosing their fundraising strategies: (1) the effectiveness of the fundraising strategy to raise the required levels of income; (2) the conditions attached to the funds; and (3) the reliability and commitment of donors to honour their pledges.

Based on these criteria, the main sources of funds in order of popularity were individual donations and gifts, AusAID grants, international agencies' grants, corporate grants, and self-financing programs and investments (Table 8.1). The effectiveness, reliability, continuity, and commitment of donors, coupled with the low conditionality, made individual contributions the preferred strategy to raise funds. However, not all agencies registered success with this method, with agency G indicating that it had difficulties in fundraising from the Australian public. These difficulties were attributed to a low profile of the agency to the Australian public, and the fact that some potential donors had reservations as to whether the hydroelectric power (HEP) generation projects of the agency were a priority need for development clients.

Funding from the AusAID schemes was identified as the second most popular strategy to fundraise. The agencies that recorded success through this strategy noted that it was variable, short-term and of high conditionality (Table 8.4). Its

success, however, hinged on the fact that AusAID typically allocated significant funds to NGOs each financial year (through the ANCP), thus providing them with a source of funds annually. With the 3:1 matching grants for full accredited agencies and 1:1 matching grants for the base accredited ones, agencies had some assurance of funding for part of their activities. Agencies D, F and L, together with 16 per cent of the respondents to the mail survey had not succeeded in getting AusAID grants.

Agencies D and L attributed that failure to the fact that they were considered small, and not particularly effective, while agency F had lost AusAID accreditation. The accreditation is a condition for funding. Even those agencies that had been able to access AusAID funds acknowledged that the complex, rigorous accreditation process was constraining. However, agencies A and E appreciated the accreditation process as an oversight mechanism that promoted the quality of services provided to clients as it served to ensure agencies were competent in governance, management, accountability and service delivery.

In response to the variability and conditionality of AusAID funding, some agencies – A, E, H and K – indicated that they limited funding from this source to no more than 20 per cent of their total income in most cases. The reasons given were that such regulation protected their agencies against high financial variability and instability and protected their autonomy. It also increased their ability to offer services for durations that extended beyond the single-year funding cycles associated with AusAID grants, as they accessed funds from other sources that enabled multi-year funding arrangements. It was noted that although AusAID funding was in some cases provided on a multi-year funding basis, such funding was approved only in principle and funds disbursement was contingent on availability of funds. Also, such funding extended to no more than three years which agencies considered an inadequate duration for comprehensive service delivery.

For the 50 per cent of agencies that received some funding from international agencies, it was considered advantageous when it contributed to addressing issues of global concern that had an impact at the level of development clients. Such issues included human rights, gender equity and democracy, which respondents cited as major concerns in many developing countries. Through the international relations, the Australian-based agencies could also become more involved in policy dialogue and decision-making on issues of global significance.

Agencies E, J and K that received financial support from corporations considered their relationship with these supporters as a mutually beneficial one. The corporations provided financial and managerial support, and in some cases advice on investments. On the other hand the agencies served to educate corporations on the significance of their contribution to international development, in helping to create stronger and more stable economies for business purposes overseas. In supporting development assistance, corporations were also viewed as being socially responsible, hence increasing the probability of improved business in Australia.

However, not all agencies appreciated the significance of corporate support. Agencies A, B and H indicated that they did not solicit funds from this source. Reasons given included the fact that they perceived corporate goals as being too divergent from the development assistance humanitarian goals, and that corporate funding was highly variable. Also, there was potential for conflict if the agencies were involved in campaigns that could hurt the image of the corporation. The variability of corporate funding was considered higher than that of AusAID funding. This was because while development assistance to non-governmental aid agencies was always on the agenda of AusAID, the same was not true for corporate support as the agenda of corporations could change more readily to exclude development assistance entirely.

The self-financing activities that represented a source of income for 15 per cent of the agencies studied included providing consultancy services and producing items for sale. Despite the fact that this fundraising strategy was considered reliable and with low levels of conditionality, it did not feature high in the popularity list of fundraising strategies. The reason cited for this was that there were numerous challenges and risks associated with starting and successfully managing self-financing activities, such as the initial investment costs, and operating profitably by attracting and maintaining a significant clientele. Competition from the corporate sector was also stiff, as was the difficulty in recruiting competent staff.

The effect of the fundraising strategies on service delivery was on the effectiveness, reliability, continuity, and flexibility with which resources could be raised and utilised to support the development initiatives of aid agencies. The effect was evident in the implementation stage of the service delivery process. For example, where funds were available for capacity building activities, that component was financed and included in the services provided. Meeting the eight criteria that were identified as contributing to high quality of funding arrangements was also contingent on the fundraising strategies used. The duration of project assistance, the potential for continued funding beyond negotiated timeframes, the predictability and reliability of funding, the timeliness of funds disbursement, the appropriateness of the aid provided, and addressing the issues of sustainability all depended on having a resource base that supported these aspects.

Generally therefore, agencies endeavoured to raise funds from a mix of sources (Table 8.1, Table 8.2(a) and 8.2 (b)) that contributed to achieving their objectives. However, as noted by agencies C and G that relied heavily on AusAID funding, it was not always possible to have a mix of resource bases, and sometimes service delivery activities were donor-driven rather than client-driven.

On service delivery, the strategies identified by respondents were in-kind contributions (agency D), capacity building programs (agencies A, B, E, H, J, K, L), single-sector programs (agencies E, G and L) and multi-sectoral integrated

development programs (agencies A, B, C, F, H, J, K). The strategies were not mutually exclusive as agencies involved in single-sector and multi-sectoral programs often had the capacity building component as part of those programs.

The strategy chosen by each agency was determined by the availability of funding, key competencies of the agency, agency policies, and relationships with development partners and clients. For example, agency E that had competencies in micro-enterprise development, agency L in eye health care, and agency G in hydroelectric power generation, provided services in these single sectors. Agencies A, B, H, J and K that had developed competencies in a wide range of sectors provide diverse services. For agencies E, involvement in a single sector was also a policy decision based on the argument that to be a leader in micro-enterprise development, especially in the non-governmental sector, the agency needed to focus all its resources in the single sector.

With regard to organisational structures, the important components were the geographical coverage of the agency, staffing, departmentalisation and job specialisation, centralisation, formalisation of work processes, reporting relationships and liaison with outsiders.

Regarding geographical coverage, those that had program offices in overseas countries noted advantages of such a structure to service delivery. Agencies A, B, E and K, noted that the proximity to development clients assisted in hastening some of the steps in the process such as project identification, review of proposals, funds disbursement, monitoring and reporting, thus making service delivery more timely and reducing the lapses in operations. In addition, the program offices were staffed by residents of the particular countries who were familiar with political, economic and socio-cultural issues, and also benefited from training in management of projects. Hiring local labour was also markedly cheaper than hiring expatriate labour.

Agency A and K, however, appreciated the complexity of establishing overseas offices in terms of investment costs, recruiting competent personnel, gaining entry to some countries and the socio-cultural differences between the aid agency staff and the overseas communities and partners.

Regarding staffing, trends showed a preference of paid staff to volunteers. While volunteer support was acknowledged, agencies F and K noted that with the increased demand for elaborate documentation, demands for accountability and good governance, the rigorous AusAID accreditation process, increased competition for funds and the need for increased professionalism in service delivery, highly competent and committed staff were required. The situation favoured increased use of paid staff. Thus, while non-governmental agencies have been defined as having a large voluntary component (Section 3.2), it may be important to distinguish the roles for which they volunteer. In the light of arguments presented by agencies, volunteer services may be confined to mundane tasks while more specialised tasks are taken up by paid staff.

The increase in demand for specialist services also implied increasing administrative units specialised to handle the various tasks. The larger agencies such as A, E and J had multiple departments to handle functions such as fundraising, policy advocacy, and training. However, not all agencies had specialisation in these management functions, and some like C, D, G, F and L had only one or two staff members responsible for all the functions in the agency. Agency C had no paid staff, while D, F, G and L had between two and five members of staff each. Respondents noted that the result of such a structure was an overload of responsibilities on a single or few positions, which posed a threat to effective management of the agency and ultimately service delivery. However, all the agencies, irrespective of their size attempted to enlist the help of specialists in their specific development sectors. For example, agency G had a team of advisers for its hydroelectric power projects, and agency L used experts to train in eye health care.

The inevitable consequence of large agencies, overseas offices and high departmentalisation and job specialisation, was high decentralisation as experienced by agencies A, E and K. Decentralisation dispersed the decision-making powers to overseas program offices, where they were closer to development clients. The risk associated with high decentralisation was the inconsistencies in the quality of services delivered. To address this issue, agencies attempted to formalise their work processes. By having standard documents for developing project proposals and reporting, and staff manuals to guide their decision making, it was hoped that the services provided by a particular agency, and the messages delivered to clients were reasonably consistent and of high quality.

Agencies that had program offices overseas also had a responsibility to maintain good relationships with other agencies and institutions in those countries, whose influence had an impact on their work. These included government agencies, community organisations, and at times political leaders as well. The liaison component of these organisations was therefore especially important.

The advantages and disadvantages of various organisational structures coupled with the strategy of the agency and resources available, determined organisational design. As organisations grew in size and outreach, they tended to be decentralised, have formalised work processes, high specialisation of both the management and development sector jobs, and increased liaison within organisational functions and with other institutions (Figure 8.3; Table 8.6). These characteristics influenced service delivery by the extent to which they facilitated the agency to respond to the needs and expectations of partners and clients. These included reducing lapses in operations, facilitating partners and clients to be involved in decision-making, providing high quality services and liaising with other segments of the community whose contribution was beneficial to development work.

The age of an agency was also identified as having an influence on service delivery. The key issue was that with increasing number of years of operation, an agency had more experience, and had learnt valuable lessons that were useful in future activities. Policies and practices had been tried and evaluated, leading to them being modified, or discarded (as observed from agency J), all aimed at improving the quality of services provided. Such agencies had also built relationships with the Australian public, and with communities in overseas countries, factors that were considered vital for gaining the support required for effective service provision.

The influence of these five organisational factors on the service delivery process was broad and varied. They determined the emphasis laid on each step of the process and consequently the outcome of that process.

10.2.2.2 The Intervening Effect of External factors

In addition to the internal organisational factors, other factors, external to the agencies also accounted for variations in the process of service delivery. Among these were the external stakeholders and the macro environment factors.

Respondents identified the significant stakeholders in their work as development clients, partner agencies, donors, governments and other aid agencies. The role of stakeholders was in their power to influence aspects of the process to meet their expectations and needs. The challenge for aid agencies was in identifying, prioritising and meeting the needs of stakeholders.

The development clients were identified as the most important stakeholder, owing to the fact that their presence justified the existence of aid agencies. However, the high demand for services due to the vast number of clients and needs, against a much smaller resource base and number of service providers suggested that clients had little influence on the decisions and functioning of aid agencies. Agency K suggested that the inability of clients to exert significant influence on aid

agencies implied that their impact on varying the service delivery process was minimal.

Partner agencies like clients, while important in the service delivery process were also categorised as having a low level of influence. While their contribution to the all the steps of the process was appreciated, they were perceived as having poor managerial and governance skills, hence were not granted much autonomy and decision-making at a policy level. As noted by Agency J, the predominant resource transfer role of aid agencies and the power associated with that position reduced the significance of partner agencies as influencers of the service delivery process.

The four main donors of aid agencies – individual donors, AusAID, international agencies and corporations – were categorised as the most influential category of stakeholders. Aid agencies not only had an obligation to meet the expectations of this group, but also were under pressure to do so. As identified by respondents, among the important expectations were the need for accountability on funds utilisation, communication on project work, a direct link between donations made and the needs of clients, and good governance and management of the aid agencies. The power of this category of stakeholders was in the high demand for the resources they provided against a diminishing resource base. Their discretion to give to aid agencies, coupled with the fact that the agencies depended almost entirely on that giving, placed donors in a powerful position, and made meeting their expectations a high priority for aid agencies. Their influence on service delivery was in their ability to set the agenda of aid agencies to some extent, through determining the amounts, duration and conditions of giving.

Governments – both in Australia and overseas – were important stakeholders in establishing the legislative framework for aid agency operations. In addition, respondents noted that governments in some overseas countries had the power to veto project implementation, especially if they perceived a threat to their hegemony as primary service providers in their respective countries. Thus, depending on the system of government, and government regulations, especially overseas, the

service delivery functions of aid agencies could either be facilitated or severely restricted.

Aid agencies also served as stakeholders to each other. According to agencies E and J, the role of aid agencies was in contributing to the establishment of best practice standards in the sector. However, it was observed that 64 per cent of the agencies never collaborated with other agencies and 21 per cent did only sometimes, thus they were largely not accountable to each other for their actions. The respondents noted that the significance of aid agencies in influencing the service delivery process lay in their participation and contribution to the establishment of accountability, governance and management practices in the sector.

The stakeholders therefore represented a significant source of influence on the service delivery process, as end-users of the services, as providers of resources and as individuals or institutions affected by the work of aid agencies. The resource provision role placed donors in a more powerful position than clients and partners who were the predominant end-users of services. The challenge identified by respondents was in addressing the expectations of all stakeholders, especially where such expectations were in conflict with each other (Figure 9.2), and with the achievement of their goals. Their response to such conflicts was in prioritising expectations based on the power of the stakeholder, and in educating those stakeholders whose influence had the power to undermine their work.

The elements of the macro environment relevant to the study included the political-legal, economic, socio-cultural, technological and international contexts in which the agencies operated. The main political concerns identified by respondents were in relation to political instability in developing countries, a factor that not only posed a risk to the safety of aid workers, but also made project implementation difficult. As such, it was a criterion in screening project proposals, such that project proposals from areas experiencing political instability were sometimes not supported.

The responses of agencies to political instability were varied. While agencies such as A and F withdrew their support from such countries, other like H and J switched to providing emergency relief services to victims of such instability. In either case, the result was interruption and at times complete cessation of long-term development assistance.

In Australia, the political scene was important to the extent that it influenced the overseas development agenda of non-governmental aid agencies. This could be overtly by advocating for varying (often decreasing) funding to the sector, or covertly by influencing the policies governing the sector.

The economic environment and in particular the trend towards neo-liberalism was identified as a significant threat to international development. Overseas aid is losing support as economic rationalism takes over (Agency J). The response has been to advocate for increasing levels of aid from both bilateral and multilateral institutions, while launching campaigns that address poor economic conditions in developing countries caused by factors such as increasing debt and unfair trade practices (Agencies A and J).

The significant differences between the socio-cultural contexts in Australia and those of overseas countries were important to the extent that they influenced decision-making, project planning and implementation. Respondents noted that the success of projects depended on respecting the cultural values of partners and clients, and in the way cultural differences and problems were managed (Agencies A, C and K).

Two components of the technological environment were identified – technology specific to a particular form of production such as hydroelectric power generation (Agency G), and the information and communications technology (ICT) (Agencies E and H). Either form of technology was a component of economic, social and political development, and was beneficial to partners and clients when used

appropriately to contribute to their own development, while preserving their social interactions (Agency G).

ICT was identified as useful in facilitating timely communication and reporting (Agency F), establishing global development networks (Agency E), facilitating research and development (Agency H), and establishing wider business networks for development clients and partners (Agency E). However, the lack of infrastructure to support ICT (specifically power supply and telephone lines), coupled with high recurrent costs made its use and benefits a remote possibility for some clients and partners (Agency H).

More generally, the lack of basic infrastructure in some communities, such as roads and communication services made access to project areas difficult and made the project implementation process troublesome (Agencies D and K).

Thus, the challenges of the technological environment to the service delivery process were in the availability of appropriate technology for specific projects, and the existence of basic infrastructure to facilitate communication and access to project sites and communities.

In the international context, the economic growth and expansion resulting from globalisation was identified as the most visible outcome. Agency E noted that the world is interconnected in various ways – by trade, finance, health, war and peace. However, as an understanding of the implications of these interconnections was low among the agencies (Agency G), responding to them was difficult. Agency H suggested that more global networks between sectors and institutions were needed to help understand and respond to global trends.

In addition to these factors, respondents noted that natural disasters – earthquakes, floods and drought – had impacted on their work. The effect was evident when long-term development assistance had to be halted to address the immediate emergency situation. Such disasters also destroyed people's

livelihoods, thus significantly large amounts of resources were required to help rebuild their lives.

The significance of the macro-environment to the service delivery process was clear, and while it may not be perceived as having a direct interaction with a particular agency, its effects were evident. The findings suggested the aid agencies do appreciate that this context does affect their work. The implication may be to analyse it more closely and consider it in the service delivery process.

There were therefore multiple intervening effects by the internal and external factors. At the external level, stakeholders affected processes through their expectations, and the agencies' responses to those expectations. The macro environment trends presented challenges in the way international development was perceived, interpreted and supported (or not supported) by multiple international actors, and that had a ripple effect on what non-governmental agencies were able to achieve. If international development was perceived as a waste of resources in the light of global economic trends, for example, then non-governmental agencies had to find ways to not only address such a perception, but also establish how to successfully fundraise in such a context.

At the internal level, the policies, principles, strategies, structures and learning experiences of agencies determine their interpretation of development assistance and their perceived role, and consequently their ways of developing policies, raising resources, providing services and coordinating their activities for goal achievement.

10.3 Key Outcomes

This section reviews the key findings and suggests their implications for the management of non-government agencies in international development, in response to the third research question:

What are key issues for non-governmental aid agency processes in their context of operation, and what implications do these issues have on the management and functioning of the agencies in international development?

The issues are grouped into two main categories based on the theoretical framework in Figure 5.1 – the internal environment consisting of processes, strategy and structure, and the external environment consisting of stakeholders and the macro environment.

10.3.1 The Internal Environment

A description of the steps involved in the process of service delivery demonstrated the activities aid agencies engaged in to achieve organisational goals. The agencies were able to explain *how* they do what they do and *why*. By responding to the question of the relationship between organisational processes and achievement of development goals, common themes – sustainable development, poverty alleviation, a focus on development clients and partners – were identified. These themes presented important principles of international development (Edwards, M et al. 1999; Pearce 2000). The themes formed the basis against which the activities of agencies could be assessed to establish the extent to which such activities supported intended outcomes.

By linking the steps, respondents were able to identify areas that did not contribute positively to achieving their goals, and respond to them, such as the policy changes noted by agency J, or the restructuring of organisations indicated by 69 per cent of the respondents. Although the study was not able to establish the

extent to which restructuring alone was successful in contributing to addressing inefficiencies in the process, the reasons for restructuring (p273) suggest an attempt to improve on service delivery. As suggested by Majchrzak and Wang (1996), simply changing organisational structure is not enough to guarantee performance. However, combined with a collective responsibility and collaborative culture within the organisation, it could prove beneficial.

The process perspective was also beneficial in facilitating agencies to explain and justify their activities by linking the various components of the process. For example, agencies A, E, H and K were able to link their low dependence on single-year AusAID funding to their policies which promoted multi-year funding, and to the strategies of sustainability which required financial support for a much longer duration.

The efficacy of the process perspective was therefore in its power to assist agencies to think rationally and logically about their actions, and to see aspects that undermined their objectives. Through this process, the agencies were able to identify what they considered as best practices in international development and evaluate their activities against such principles. Some of the practices identified were in the project identification process (Section 7.2), provisions for quality funding arrangements (Section 7.3.3) and strategies for sustainability (Section 7.5.2).

The comprehensive description of the service delivery process as provided by respondents suggested that overall, aid agencies had a good knowledge and understanding of the factors that constituted project success. This finding supports the argument by Commins (2000) that aid agencies have a unique depth of understanding and experiences on development that could feed into models of good practice and policy making. The challenge for the future is therefore not an intellectual one as agencies already know the principles of project success (Edwards 1999).

This is an important finding because it suggests that critics of aid agencies probably ought to engage in a deeper analysis of situations and other factors that hinder the intended and desired goals from being achieved. What are some of these situations and factors that hinder goals from being achieved?

10.3.1.1 Organisational Strategies

Organisational strategies represented one set of intervening variables that had an effect of the process of service delivery and consequently goal achievement. In reviewing the organisational strategies, the strategies for financial resource mobilisation appeared to be particularly significant as they influenced the availability of financial resources. Availability of finances determined whether or not projects would be implemented, the quality of funding arrangements instituted, inclusion of capacity building activities, monitoring and evaluation, and addressing the strategies for achieving sustainability (Chapter Seven). The respondents observed that they attempted to combine a mix of resources that increased the probability of addressing most if not all steps of the process. This finding was consistent with literature on aid agencies that demonstrated the significance of financial resource mobilisation in determining the activities of aid agencies (Ball & Dunn 1996; Edwards 1999; Fowler 1997; Holloway 1998; Hulme & Edwards 1997b; Jackson and Donovan 1999; Malhotra 2000; May 1995; Ryan 1999; UNRISD 1999).

The service delivery strategies – short-term project assistance versus long-term program assistance, and single sector projects versus multi-sectoral projects – were also significantly, though not exclusively, dependent on availability of funding. Other factors such as policy, working principles and learning had also contributed to the decisions on the service delivery strategies used.

The theoretical model presented in Chapter Five showed the relationship between strategy and process as a bi-directional one (Arrow A). The findings confirmed this relationship. In one sense, the strategy determined the process. The strategies for

service delivery such as capacity building, or a short-term yearly service delivery strategy determined the steps of the process to be included. For example if an organisation's strategy was: 'to create jobs and stimulate small business so as to strengthen the economic conditions of the poor' (this was categorised as a single sector strategy), then through the process described, specific aspects would be incorporated to translate of such a strategy to activities. It may include the process components discussed such as capacity building, high quality funding arrangements and so forth.

The "strategy determines process" relationship is supported by Garvin (1995), Edwards and Peppard (1997), and Schmidt and Treichler (1998) who argue that processes must be defined and developed with regard to their contribution to overall organisational strategy. Only then can they ensure that value is delivered to the end-user.

On the other hand, an organisation may not be clear about strategy formulation, but understands that sustainability in projects was essential. It would therefore work backward from what was known about the sustainability process (as discussed in section 7.5). It may develop a number of plans that can promote sustainability, leading to a complex multi-sectoral service delivery strategy from strategy statements could then be developed. The discussions presented and the argument that aid agencies generally know what constitutes good development management may explain why this second option may be popular. The finding that 41 per cent of agencies surveyed indicated that they always had strategic plans, suggests that the other 59 per cent sometimes worked from their knowledge and understanding of the development process rather than strategy.

Burgelman (1983) suggests that this "strategy follows process" relationship is activated when top management knows that the current strategy is no longer entirely adequate but do not know how it should be changed. By engaging middle management to define new ventures through an agglomeration of activities, processes or systems are developed. The role of top management then becomes

one of altering strategy and acquiring resources to fit in ongoing new activities and ventures, and the activity or venture becomes part of strategy rather than the other way round.

10.3.1.2 Organisational structures

With regard to organisational structures, the structural design determined whether the agency was directly involved in the entire service delivery process, or was involved in only part of the process, mainly resource mobilisation and policy-making. Those agencies with program offices overseas (Agencies A, B, E, J and K), were involved in the entire process while the others were mainly involved in only part of the process, with partner agencies taking responsibility for project implementation. As demonstrated from the findings, those agencies with overseas program offices indicated that the proximity to partners and clients was useful in speeding up the processes and in closely monitoring the impact of their work and policies on clients (Section 8.2.3.1). Such monitoring was useful in re-assessing both their project activities and policies (Bartlett 2000). This is not to suggest, however, that agencies with an overseas base would necessarily perform better with regard to the service delivery process. They may have the experience and necessary information and still lack the motivation to change their policies and practices. However, with their experiences and reports from their field staff, they may be more inclined to make some changes.

The process-based analysis was useful in demonstrating how the involvement of various organisational departments jointly contributed to the entire process (Section 8.2.3.3). The involvement of field staff, program directors, the chief executive and governance bodies within the agency could be traced throughout the process (Section 8.2.3.1) with different levels of the organisation being responsible for parts of the process. The process perspective therefore enabled a level of analysis that combined the tasks of individuals and departments (Section 8.2.3) to the process goals discussed in Chapter Seven. This finding is consistent with Garvin (1998) and Adler and Mandelbaum (1996) who argue that the process

perspective is useful because it helps organisations to analyse the organisation as a whole, making linkages between departments and facilitating the necessary integration to ensure that the realities of work practice are linked explicitly to the organisation's overall functioning.

For example, the functions of the project coordination component spanned through the entire project cycle from design to impact assessment, and the training component developed training programs for partner agencies and development clients. The outcomes of the fundraising component determined the kinds of projects, and funding arrangements to be instituted, and the policy and advocacy component was responsible for policy development and review (Figure 8.3). These components needed to work together and liaison with the Programs Director was crucial to ensure they collectively contributed to an effective process. Thus, for multiple departments to contribute effectively to the service delivery process, *liaison across functions* was important (Rummler & Brache 1995). Davenport (1993) notes that unless such liaison occurs, organisations will have difficulties meeting end-user needs as no one "owns" the issue of how long it takes or how much it costs to fulfil end-user requirements. Departmental heads therefore need to liaise closely with other departments.

For organisations to improve on their service delivery function, however, more than liaison was required. There was need for proactive awareness raising in the departments as to how individual functions *contributed* to the overall process. There was need for departments to cultivate collective responsibility and collaborative culture (Bartlett 2000; Majchrzak & Wang 1996). For example, in order to improve on the sustainability of project benefits, the respondents (Agency A) noted that first, this objective needed to be included in project design (role of the project management team). Second, funding needed to be provided for at least ten years (role of the fundraising team to ensure a sufficient flow of funds) (Agencies A, B, J and K). Third, local institutions required capacity building (training team) (Agencies A, B, E, H, J and K) and fourth, the organisation needed to review its policies regularly to ensure their relevance and positive contribution to

sustainability (the governance team) (Agencies A, E, J and K). The failure by any of the teams/departments was likely to affect the capability of the agency to undertake the other activities effectively, resulting in a less than optimal service delivery process. In this example, the organisation begins by identifying what stakeholders need (sustainability of project benefits), and works upwards through the structure to identify the functions responsible for each step of the process. This suggests turning the organisational structure on its head as argued by *Leader to Leader* (2000), if not in organisational design, at least in the thinking and planning of organisational activities.

With the increasing demand on professionalism, effectiveness and accountability of aid agencies, coupled with the growing number of development clients and needs, and an external environment that is more turbulent than ever (Agencies F and K), organisations would probably continue to operate in functional departments (Figure 8.3) to ensure that all the functions were conducted to the satisfaction of the various stakeholders. Functional skills are still important even to the most broadly defined processes (Davenport 1993). The key to making process-oriented structures successful is to integrate process and functional structures. Functional structures ought not to be disbanded (Hammer & Stanton 1999).

As proposed by Kirchmer (1999), structures may be designed such that each department is responsible for meeting the needs of one stakeholder, thereby addressing itself to one process (See Section 2.3.2.2). The restructuring proposed by Kirchmer assumes that organisations are clear on what the processes are. However, as noted by Nickols (1998), processes are difficult to identify because they lack names, definitions and boundaries. Vanhaverbeke and Torremans (1999) argue that restructuring around process is complex because processes are difficult to define, and the resources involved in identifying, redesigning and testing a process, determining what works and then implementing it may not justify the change. And for aid agencies that are constantly under pressure to minimise on their administrative costs (Bryson 1999), the cost of redesigning around processes is even more difficult to justify.

Thus, organisations tend to be structured around functions rather than process. This argument is consistent with the findings of the current study that identified the relationship between organisational structure and processes as a bi-directional one. Ideally, an organisation would determine its processes and develop a structure that supports such processes. However, factors affecting the design of organisations such as availability of resources (financial, human and technical resources) may cause an agency to develop a structure that did not necessarily have a “process-orientation” (Section 8.2.3). Figure 8.1, for example, showed an organisation structure with few departments, and this affected the processes that would be carried out, and the effectiveness with which outcomes could be achieved. A small structure with few staff, for example, may hinder the inclusion of capacity building as part of the service delivery process, as was observed from Agencies C, D and F. For these agencies, their existing structure did not favour capacity building thus, this part of the process was compromised, and the process components that were carried out were those that were supported by the existing structure.

As the motivation for aid agencies is in delivering satisfaction to their stakeholders (Section 9.2; Bryson 1999; Fowler 1997), liaising with those outside the organisation was also identified as an important component of service delivery. This was especially important for agencies without any overseas offices (Figure 8.1), and whose relationship with partner agencies and development clients was predominantly one of resource transfer. It was equally important for those with overseas program offices (Figure 8.2, Figure 8.3) in providing valuable information on the cultural, socio-economic and political circumstances of the development clients, and in building relationships with other interest groups. These factors were identified as important for effective service delivery (Section 8.2.3.7).

The need for functional departments (whether in a functional or process-oriented structure) supported from the current study and from literature, suggests that agencies where one or two positions were charged with multiple responsibilities

spanning policy issues, fundraising, training, program coordination and administrative tasks (Figure 8.1), might find it increasingly difficult to survive and improve on their effectiveness. A level of departmentalisation and job specialisation for management operations such as financial management, fundraising, public relations, service provision and office management was probably required (Section 8.2.3.3). This is in addition to the already existing job specialisation in development sectors such as health, food security and micro-enterprise development (Table 8.6).

10.3.2 The External Environment

The external environment presented multiple issues for aid agencies.

10.3.2.1 External stakeholders

The significance of stakeholders in service delivery was in their *power to influence* the process. As noted by Perrot (1999), stakeholders have varying levels of interest and power over aid agencies. From the study findings, it appeared that while the clients and partners had an interest in the aid agency, and were categorised as important (Section 9.2.1; Section 9.2.2), they had little power and were therefore a low priority for aid agencies. This is illustrated in Perrot's model (Figure 9.3), which shows the positions of the stakeholders, where those with a relatively low power to influence organisations appear in the low priority category.

The predominant resource transfer role of aid agencies gave them power over partners and clients, hence while these stakeholders were important to them, and fundamental to the service delivery process, they were considered low priority. As noted by agencies A and J, there is need to address and ultimately shift this power base to give more power to partners and clients. It was important that the partnerships alluded to in referring to overseas agencies as “partners” be more visible in their relationships with aid agencies (Fowler 2000). The need for true

partnerships with aid agencies was identified in the study as one of the expectations of partner agencies (Section 7.3.3a; Section 7.4.3; Section 7.5.2).

Donors were categorised as the most influential stakeholder, having both an interest in and power over the aid agencies. According to Perrot's (1999) model this position gave them high priority. The ability of donors to set the agenda of aid agencies through their levels of giving, conditions, duration and reliability, was a constant concern for aid agencies. In their fundraising efforts, aid agencies identified the effectiveness, conditionality and reliability of donors as important criteria in determining their fundraising strategies (Section 8.2.2.1). Diversifying their resource base helped to reduce the influence of any particular donor (especially AusAID and corporations), thus increasing the probability of autonomy in setting their agenda and conducting their activities as intended. This was evidenced by the efforts of agencies A, E, H and K to reduce AusAID influence by limiting the proportion of their funding derived from this source. Agencies A, B and H opted to avoid corporate funding for similar reasons. The response of aid agencies in instances where the influence of a particular stakeholder was potentially high was therefore to attempt to minimise that influence.

Governments, both in Australia and overseas, were an important stakeholder in establishing the legislative framework for aid agencies' operations. In addition, those in overseas countries had the power to veto entry of aid agencies, foreign financial support, and project implementation. According to Perrot's (1999) model, this stakeholder had a combination of high power and low interest suggesting that they had the potential to become supporters or adversaries. They therefore needed to be handled with respect (Fowler 1997).

The low level of collaboration and linkages between aid agencies suggested that they were a relatively weak stakeholder in terms of their power to influence or their interest in each other's activities. They were therefore a low priority stakeholder. Hudson (1999) notes that the low collaboration has been due to the stiff competition for resources which, given the influence of the donors on aid agencies

previously discussed, is probably going to continue. Aid agencies are therefore likely to remain low priority stakeholders to each other.

Respondents noted that they faced challenges in addressing the expectations of stakeholders, where such expectations were in conflict with each other (Figure 9.2). Their response to such conflicts was in prioritising the expectations depending on the *interest* and *power to influence* of each stakeholder (Perrot 1999). However, respondents noted that most expectations were not in conflict with each other. Thus, it was possible and important to balance between the various expectations, to provide the most satisfactory mix of services to stakeholders, because the success and survival of the agencies depended on it (Agency C; Fowler 1997; Hudson 1999). However, it was also important to educate those stakeholders whose expectations conflicted with the achievement of agency goals (Agency A).

In viewing the stakeholder environment from Weick's (1995:30-31) perspective, aid agencies have partly created that environment and the opportunities and constraints that it provided. By relying on donors to fund their activities, for example, they have put that category of stakeholders in a powerful position, which they have noted has resulted in constraining some of their work. Consequently, they endeavoured to *educate* those stakeholders as a way of attempting to manipulate that environment and create some new rules that will reduce the constraints they currently faced.

10.3.2.2 The Macro environment

The macro environment, while remote from any agency, represented factors that influenced the work of aid agencies by varying the contexts of operation. These included causing the agencies to change direction or withdraw support, as influenced by the political environment (agencies A and F), and/or threatening the existence of aid agencies by increasingly questioning the rationale of overseas aid, as influenced by the changing economic trends and philosophies (noted by agency J). In the current economic climate, the irresistible rise of neo-liberal philosophy is

transforming and in some ways threatening the rationale for aid (Fowler 1998; Pearce 2000).

The socio-cultural contexts could place limits to what an agency can achieve as varying cultural values sometimes conflicted with what aid agencies considered to be sound development assistance practices (Agency C and K). Staudt (1991) and Berman and Tettey (2001) note that ignoring cultural factors has led to dramatic development failures in the past and advise program managers not to overlook this important component in project planning and implementation. The significance of the technological environment, was in the availability of appropriate technology and existence of basic infrastructure in developing countries to facilitate access to project sites, project planning, implementation and evaluation, and communication (Agencies D, E, F, G, H and K). The absence of such infrastructure and services posed a threat to successful development work.

While globalisation represented widening interconnectedness in all aspects of life from the cultural, to the economic, the political and the technological, (Chief Executive, Agency E; Held et al. 1999), it was the economic aspect that appeared to be most visible to aid agencies. There were concerns on the growing inequalities between the rich and the poor, exclusion and social disintegration (Agencies H and 076). However, its impact was still unclear (Agencies E, G, H), and the need for global networking and collaboration with other sectors and institutions, to help understand the current trends and impact, was becoming more evident (Agencies E and H).

The significance of the macro environment to the process of service delivery suggested that it should not to be ignored by aid agencies. Even when its effects may not be clear, acknowledging its presence is useful in the process, more so when the diversity of the contexts of development clients and partners suggest different approaches to the process – even in the implementation of similar projects by the same agency.

10.4 Revisiting the Theory

A brief revisitation of the process-based perspective is presented to determine its adequacy and appropriateness to the current study in understanding the functioning of non-governmental aid agencies and the challenges presented by their context of operation.

10.4.1 Relevance of the Model

The process of service delivery as described by respondents represented an ideal systematic plan of activities aimed at providing the best services. The respondents, however, noted that this plan did not always match practice to yield the expected results. For example, the elaborate project identification process (Figure 7.2) did not always guarantee implementation, and depended on among other factors, availability of funding. The plan for sustainability (Figure 7.6) did not necessarily lead to the level of sustainability anticipated (Agency H), especially if basic services and resources were lacking in the community, or there were political instabilities that resulted in cessation of the project. The efficacy of the process-based model was therefore that, by viewing the actions of aid agencies as a process, the interconnection between the internal and the external environments became more visible.

In reviewing organisational activities, the compatibility of functions could be assessed. This was particularly evident in the strategies for sustainability (Section 7.5; Figure 7.6), where respondents noted that the policies (role of governance function), funding (role of fundraising function), capacity building (role of training function), project design (role of project design function), and liaison with governments and other agencies (role of liaison function) were important components of the process. The agency could therefore assess which of its multiple functions was not contributing positively to the anticipated outcomes (Garvin 1998; Majchrzak & Wang 1996).

The process perspective enabled the study to highlight organisational factors – policies, strategies, structures, philosophy and learning experiences – that were sometimes overlooked, or whose influence was not clearly understood, and systematically analyse them. Using the model, the study identified and examined how the organisational factors contributed to project outcomes. For example, the fundraising strategies were examined to assess how effectively an agency had been able to raise sufficient funds, whose conditions were enabling and donors reliable, to facilitate the achievement of its goals (Section 8.2.2.1). The study also identified how agencies had attempted to respond to factors that they perceived as disabling to their work, such as through policy changes by agency J and restructuring by 69 per cent of the agencies. Whereas the study did not establish the extent to which restructuring successfully responded to process issues, the motivation to restructuring (p273) suggests the need to improve on the service delivery process discussed in Chapter Seven. Using the process perspective, the study also discussed how and when processes were not necessarily the driving force in organisations and at times structural designs are driven by other factors such as resource availability (Section 8.2.3).

The link between process and the external environment – external stakeholders and the macro environment – allowed the study to examine a range of independent variables that influenced the service delivery process. The stakeholders were particularly important in this regard. Examining their expectations and determining how these affected service delivery (Figure 9.1; Section 9.2) made a significant contribution to understanding the process. It was observed that while aid agencies had a main responsibility to the primary end-users of their services – the development clients, there were significant stakeholder expectations that at times undermined or superseded that responsibility, as stakeholder expectations conflicted with each other (Figure 9.2), and priority given to the powerful stakeholders. Aid agencies therefore sought to prioritise and provide a mix of services that best served the different stakeholder needs, and helped to achieve their development goals. The factors of the macro environment were also

assessed and provided useful information that guided agencies through the process (Section 9.3).

In the process perspective the concept of “what an organisation does” was redefined to mean the “processes performed rather than the goods and services produced” (Hammer 1996). The emphasis on *how tasks were performed* as opposed to just *what was achieved* was useful for aid agencies because as noted by Lewis et al. (1988), aid agencies did not actually ‘produce’ development, but at best facilitated it through the processes they engaged in. The implication therefore was that the process perspective presented evaluators with a significantly legitimate way of evaluating aid agencies. Through an assessment of the steps of the process (Chapter Seven) they could determine if the process was compatible with the goals of the agency, and ultimately the goals of international development.

The wholistic approach of the process-based model made it particularly relevant for aid agencies, as it raised issues that were important for the service delivery process. One was that service delivery was a process of interconnected steps and functions within the organisation. Assessing the contribution of each function and step was vital to ensuring success in the process as a whole. Two, the process perspective helped to draw out the interconnection between organisational factors – strategies, structures and policies, and the outcomes of the service delivery process. The coordination between functions and the use of appropriate strategies were particularly significant in this regard. Three, stakeholders were an important factor in the functioning and achievements of aid agencies. It was therefore important to acknowledge their importance and to proactively seek ways to address those expectations that were in conflict with the achievement of development goals. Four, while the macro environment appeared remote, overwhelming and difficult to analyse, its impact on the process was real, and collaborative efforts may be a beneficial to analyse it and plan activities accordingly.

10.4.2 *Limitations of the Model*

There were, however, some limitations of the process-based model. One was that the broad-based nature of the model lent itself to the potential for gathering a wide range of diverse information that could prove overwhelming and difficult to analyse (Harrison & Shirom 1998). Balancing between a quantitative, easier to manage data gathering method and a flexible, open-ended method that captures the diversity of the environment, is a required skill in using this model.

A second limitation was the fact that any process had an arbitrary beginning and end, and most lacked definitions and names (Davenport 1993; Nickols 1998). This meant that any boundaries placed on a process in an attempt to identify and describe it were open to interpretation and were in principle contestable. This was especially so in the largely unexplored area of identifying processes in respect of international development and the delivery of development assistance. This also meant that suggestions for improvement were difficult to make and should be approached cautiously (Robbins & Barnwell 1998).

Third, in terms of the use of the outcomes of the model, this model aimed at improving the *competitive advantage* of an organisation by providing superior services to the stakeholder (Stalk et al. 1992). Whereas the concept of competitiveness may be relevant with reference to resource mobilisation, in terms of service provision there was significantly higher demand for than supply of services. Respondents acknowledged that the comparatively higher demand for services than providers of those services resulted in the development clients having little power to influence the agencies, in spite of being acknowledged as the most important stakeholder (Section 9.2.1). As such the concept of competition was not particularly relevant with regard to service provision to this primary end-user. The fact that there appeared to be no competition for provision of services meant that other reasons and motivations must be found to cause aid agencies to engage in processes that delivered superior value to development clients.

In spite of its limitations, the study has attempted to demonstrate the potential of the process-based model in addressing significant issues that were relevant to non-governmental aid agencies. It is intended as a starting point to stimulate agencies to think more broadly and strategically. A process-based analysis would probably become increasingly important as the complexity and dynamics of the external environment continued to challenge managers (Vanhaverbeke & Torremans 1999).

10.5 Significance of the Study to Non-Governmental Aid Agencies

A number of outcomes of the study are important for non-governmental aid agencies. First, describing how activities are conducted to achieve goals is useful in determining what is likely to make a successful project (Fowler 1997). Through the descriptions of the service delivery process in Chapter Seven important aspects have been drawn together. Aid agencies can use the steps and issues raised to systematically assess how they are performing in respect of each step of the process. They could, for example, assess their actions against the 'quality of funding arrangements' criteria in section 7.3.3 or against the 'strategies for sustainability' criteria in section 7.5.2. Such an assessment would help in responding to the concerns raised by AFCOA (2000d) on the need for clarification and definition of quality in service delivery, and the question raised by AusAID (2000a) on practical strategies to promote sustainability and indicators to measure these aspects.

The assessment would probably lead to a reaffirmation of what the agencies were already doing, questioning their practices, or at the very least, highlighting important issues relevant to their work. It would also increase the confidence of stakeholders that aid agencies are credible organisations that take responsibility for the quality of the services they deliver. In spite of the diversity of aid agencies acknowledged at the introduction to the study, it is hoped that agencies can identify issues that are important and relevant for them from the broad underlying themes

discussed. Consequently, they can develop good development management practices in their work.

Second, a review of the organisational factors affecting the service delivery process – policies, strategies, structure, working principles and the learning that comes with age – demonstrated that each of these has an impact on the process, and consequently on the outcomes of international development. This finding supports the issue raised at the introduction to the study that crucial elements of aid agency processes, such as the policies, objectives, strategies and organisational capabilities need to be acknowledged and investigated as they contribute to development outcomes (Ball & Dunn 1996; Fowler 1997; Jackson & Donovan 1999; Marsden, Oakley and Pratt 1994; Navaratnam and Harris 1995).

The implication for aid agencies is that they need to examine these factors more closely to determine the extent to which they affect outcomes, and address those factors negatively impacting on results. It also suggests that assessors of aid agency activities ought to examine these organisational factors more closely, rather than base their evaluation activities solely or primarily on project outputs and outcomes.

Third, stakeholders exert a significant influence on the functioning of aid agencies, because stakeholder satisfaction represents the basis against which their efforts and activities are judged. Stakeholder expectations are diverse (Figure 9.1), and sometimes in conflict with each other (Figure 9.2), yet overlooking them could severely restrict the work of aid agencies. This is particularly so for the powerful stakeholders – donors and governments. On the other hand, the weaker but important stakeholders – development clients and partner agencies legitimise the existence and work of aid agencies (section 9.2.1; 9.2.2). The challenge for aid agencies is in balancing the expectations and demands of the powerful stakeholders, with those of the weaker ones, so that their credibility is not undermined. The irony is that overlooking the expectations of either the powerful or

the weaker stakeholders is likely to yield the same results – undermining the credibility of the aid agency.

Fourth, while the macro environment may be perceived as remote, its effects on the work of aid agencies are very real, and at times very close too. The findings demonstrated that the challenges of political instability, economic recession or socio-cultural differences in overseas countries could and do threaten the work of agencies. The political climate in Australia could also affect their work by influencing the policies that affect them, as could the economic climate, by influencing donations to their work (Section 9.3).

The implication is to be strategic in their planning, and to have alternative courses of action that can be taken in case of changes in the macro environment. While withdrawing financial support from areas of political turmoil, for example, serves the interests of the aid agencies by protecting their staff and resources, it leaves their clients and partners more vulnerable, and in desperate need for assistance. Finding ways to collaborate with overseas organisations, so that assistance can be provided when it is needed rather than when it is convenient for the aid agencies, is probably a daunting task, but a necessary one.

Fifth, the collective data on the intervening effects of the organisation and environment factors on service delivery and the outcomes of development initiatives provides aid agencies with valid information that they can share with various stakeholders. As observed by Wilson (1998), there is need for increased public understanding of development, and education for all stakeholders to ensure that they are aware of the significance of their contributions, and of all components that impact on development outcomes.

Aid agencies can, for example, explain to development clients and partners why the intended outcomes of development initiatives are not always realised. They can educate the donors and governments on how their expectations and demands affect or undermine development work. This does not suggest that agencies should

not take responsibility for their actions and outcomes, but some of the misunderstanding between agencies and stakeholders can be traced to the unavailability of valid data to make informed judgements about the complexities that surround the performance and outcomes of aid agencies work. Aid agencies in sharing information with stakeholders can help to address the criticisms that have been levelled against them, and create a more harmonious stakeholder environment. This is a strategy for manipulating their environment, in order to meet their organisational goals. Thus, contrary to the argument by Hettne (1995) that organisations have only marginal or no control over their environment (Figure 3.1), the present study suggests that with the right mix of information, they can have significant influence, especially with regard to the external stakeholders.

Sixth, as shown from the findings the collaboration between aid agencies is minimal (64 per cent indicated that they never collaborated with other Australian agencies in project implementation). The findings of the study, based on the sector in Australia, serve to provide useful information to Australian-based agencies on how other agencies are conducting their activities, and how the sector is performing, as a reference point for future strategies, activities and expected outcomes.

10.6 Conclusion

Based on the study findings, aid agencies have three levels of operation that require their attention in order to improve their service provision role – the organisational level, the stakeholder level and the macro environment level.

At the organisational level, factors that affect service delivery namely policies, strategies, structure, working principles, as well as the learning experiences that come (or should come) with age, need to be evaluated regularly to ensure that they are coherent with the goals being aimed for. Counterproductive and regressive aspects within these factors need to be addressed for optimal performance.

At the stakeholder level, the expectations of development clients, partner agencies, donors, governments and other aid agencies ought to receive sufficient attention. They need to be evaluated regularly to ensure agencies remain relevant in their responses. A balance in the responses to stakeholder expectations is essential to ensure that those with more power do not undermine or restrict the work of agencies, and that those with less power are not overlooked resulting in the credibility of the agencies being undermined.

Response to the macro environment calls for strategic choices and alternative courses of action to respond to changes in the political, economic and socio-cultural climates, and to respond in ways that deliver benefits to clients and partners.

CHAPTER ELEVEN

CONCLUSIONS

11.1 Overview of the Study

Australia's unique location as a developed country in a region of developing countries was noted as being significant for the overseas aid program. The direct links between economic, social, political and technological development in the region and Australia's own prosperity and security were identified as a significant rationale for the aid program (DAC 1996; Simons, et al 1997), as was the valuable contribution of non-governmental agencies (Downer 1997, 1999; Simons, et al 1997). The significance of the sector in contributing to development within the region made it an important study area (Chapter Four).

The present study sought to address the apparent lopsided analysis that is characteristic in assessing the performance of non-governmental development organisations in particular, and the players in international development in general. The problem identified was that in evaluating their work, donor NGDOs, also referred to as non-governmental aid agencies, had often focused on evaluating development programs and projects in developing countries. Such an evaluation was incomplete because it assessed the work of the recipients of overseas aid – the partners organisations and development clients in developing countries, and its focus on overseas projects allowed the aid agencies to avoid critical scrutiny. The characteristics, policies, strategies and processes of aid agencies that might have contributed to the project results witnessed were seldom assessed (Australian Development Studies Network [ADSN] 1997; Ball & Dunn 1996; Fowler 1996a, 1996b, 1997; ODI 1996; OECD 1992).

To address this inadequate project-focused evaluation, the present study attempted to identify important factors of aid agencies that are responsible for project results, factors that would be important to consider while engaging in the

provision of development assistance, and when evaluating the performance of aid agencies.

Based on the goals of international development as derived from literature, and the responsibilities and expectations on aid agencies (Chapter Three), their role as facilitators of development through the *delivery of services* under the development assistance umbrella, was considered their fundamental task. As such, this role formed the basis against which the study was conducted.

A process-based perspective was adapted as a viable model for identifying and examining the factors that influenced the process of service delivery. The process-based model with its focus on external stakeholders, and links to the environment, strategies, structure and policies, provided a number of important dimensions that could be investigated.

To allow for a systematic study, a theoretical and analytical framework was developed and used to define, operationalise and analyse important variables (Chapter Five). Data were gathered from eleven respondents to telephone interviews and forty-five respondents to the mail questionnaire. Secondary sources of data included annual reports, brochures, web site information, project documents and newsletters.

Through systematic analysis, the process of service delivery was determined and its relationship to the achievement of development goals established (Chapter Seven). Overall, findings showed that aid agencies had an understanding of what constituted a successful process of service delivery, and had the intentions of translating such understanding to viable practices. However, there appeared to be variations, and intentions did not always translate well into practice, as multiple organisational, stakeholder and macro environment factors directly or indirectly influenced practices.

Key organisational factors influencing the process included organisational strategies, policies, structures, working principles and learning experiences (Chapter Eight). Stakeholder expectations from the five categories of external

stakeholders – development clients, partner agencies, donors, governments and other non-governmental agencies – were also important, as were the macro environment factors (Chapter Nine).

Based on the evidence gathered, this chapter attempts to draw together the major findings of the study and develop a conceptual framework for critical analysis of processes of aid agencies that can guide the implementation of good development management practices.

11.2 Organisational Processes of Aid Agencies

By and large the responses of non-governmental aid agencies especially to the telephone interviews, provided a consistent set of steps that collectively resulted in delivering services to partners and clients. Service delivery was perceived as a core process of aid agencies, a process that constituted four major sub-processes: (1) project identification and initial assessment; (2) project implementation; (3) project monitoring, evaluation and impact assessment; and (4) project sustainability. The fourth sub-process – project sustainability is built into the steps of the other three.

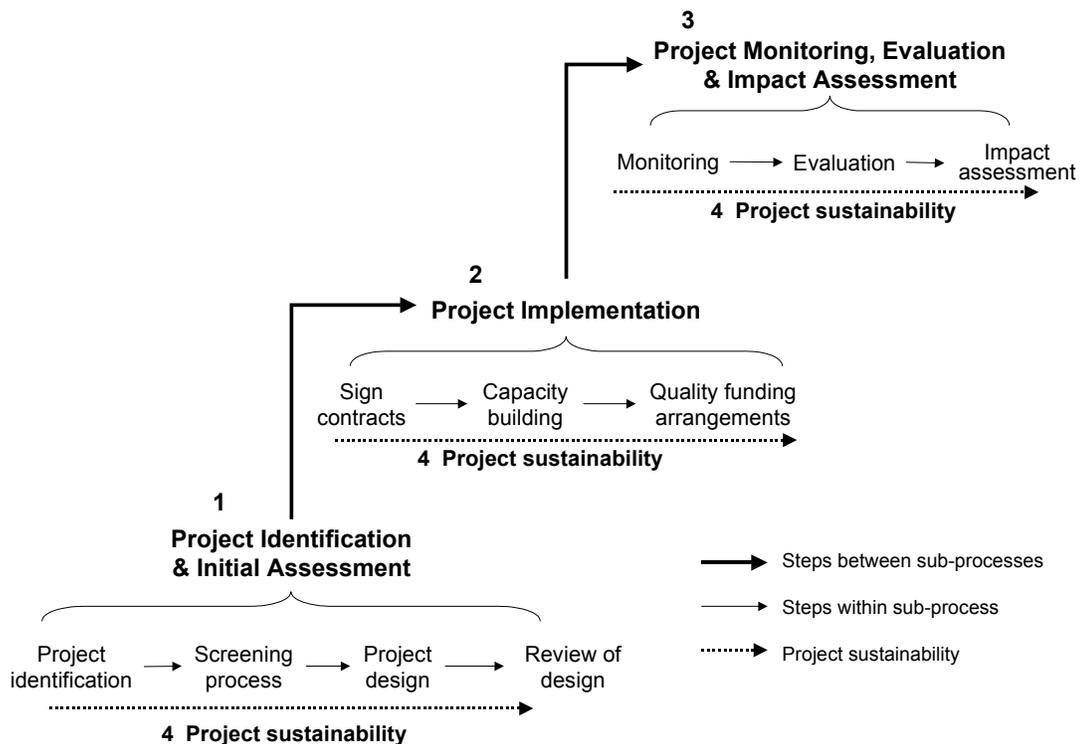


Figure 11.1. Service delivery process

Figure 11.1 shows the four sub-processes and the micro-processes within them. Each of the steps had its objectives, and together, the objectives and steps addressed the goals of the organisation. Through the description of the process, the study provided a systematic way in which aid agencies and others interested in their work could assess how they transformed inputs to outputs to deliver services and satisfaction to stakeholders. This was essential because an assessment of outcomes depended on the process followed, not just on what was achieved materially (Brown 1992; Fowler 1997).

The systematic description while highlighting significant issues for the service delivery process lent itself to critique. Consequently it provided a useful way for those interested in the work of overseas aid agencies to review both the outcomes and the process followed as demonstrated in Figure 11.1 above, and identify mismatches between intentions and outcomes, to determine where changes should occur.

The process as demonstrated above did not limit itself to agencies involved in a particular development sector – agencies in the health sector, for example, may be able to use it just as those in the micro-enterprise development sector. It would be expected, however, that there would be variations in emphasis on the steps owing to delivering services in different sectors.

11.3 Factors Influencing Processes and Agencies' Responses

Not all the agencies placed the same emphasis on all the steps in the processes. There were variations that depended on policies, strategies, structures, working principles, learning experiences, stakeholder expectations, and the macro environment. To analyse the influence of these factors, they were grouped into two broad categories – the internal environment and the external environment.

11.3.1 Internal Environment and the Service Delivery Process

An analysis of each component of the internal environment identified – policies, strategies for service delivery and financial resource mobilisation, structures, working principles, learning experiences – provided explanations to account for some of the variations in the process between the agencies. A determination of how these organisational factors influenced processes provided aid agencies with information that they could use to change those aspects of their organisations that they perceived as being disabling to an optimal service delivery process.

The benefit for aid agencies in assessing how organisational factors were perceived to influence the process was that these factors were within their scope to change. Some agencies had made changes that included restructuring organisation, and modifying their policies and strategies. Thus, where appropriate, changes could be made to any of these factors, or at least agencies could reflect on them to ensure that they contributed positively to the goals of the agency. Alternatively, if they considered their organisational components to be appropriate and adequate, they could seek to change those aspects of the process that they perceived as inadequate. The expected outcome would be a match between organisational components, the service delivery processes and goal achievement.

11.3.2 External Environment and the Service Delivery Process

Two aspects of the external environment – the external stakeholders and the macro environment were identified as contributing to influencing the service delivery process.

Respondents identified their important stakeholders as development clients, partner agencies, donors, governments, and other aid agencies. These stakeholders had varied power of influence with the donors and governments exerting significant influence, while clients, partners and other agencies had only minimal influence. The respondents acknowledged the importance of balancing

between the expectations of all the stakeholders to provide satisfactory services and protect their credibility. With respect to donors, some respondents also noted that they had attempted to reduce their influence by limiting the finances sourced from any one donor. In addition, education and negotiation was required, especially with powerful stakeholders, in cases where their influence undermined the achievement of organisational goals.

Thus, in response to the stakeholder influence, the aid agencies attempted to manipulate the stakeholder environment through limiting dependence on one resource base, and through education and negotiation. In some instances, their processes were altered in an attempt to balance between stakeholder expectations. In cases where the agency had little power to manipulate the stakeholder environment (probably due to insufficient resources, or lack of experience), there was a high risk of the processes not only being changed, but also being controlled by the powerful stakeholders.

Evidence showed that the remote macro environment consisting of the political-legal, economic, socio-cultural, technological and international contexts had an influence on the service delivery process. These factors had the potential to destabilise aid agencies by influencing the context of operation both in Australia and overseas. Political instability, economic recession, socio-cultural differences and conflicting values, low technological advancement especially in the availability of basic infrastructure were cited as factors that had impacted on the work of aid agencies, and made service delivery difficult if not altogether impossible. The political and economic environments in Australia were identified as factors that could potentially affect the work of agencies by, for example, influencing the policies governing their operations, or influencing the ability of donors to give to their work.

11.4 Key issues for aid agencies

As a general proposition, aid agencies need to think broadly and strategically about their plans and intentions, as well as the significant internal and external environments that either enhance or restrict their goals from being realised. They also need to consider how their own actions and decisions contribute to creating the environment they face. For example, an agency may have given a lot of power to a particular stakeholder by relying heavily on that stakeholder for resources, and consequently, either consciously or unconsciously the stakeholder 'controls' the agency, and may constrain the activities of the agency.

Where constraining factors are within the control and ability of agencies to address, they need to continually do so, because *all* stakeholders are depending on them to provide superior services. Where such factors are not necessarily within their control, thinking strategically about them and developing contingency plans is equally important in avoiding project failures.

As a preliminary model for assessing these factors, Figure 11.2 below, developed from the theoretical model in Chapter Five, and based on the findings of the study, presents suggestions for areas of focus in this regard. As an addition to Figure 5.1, the proposed model in Figure 11.2 has included policies (Arrow G), working principles (Arrow H) and situational factors such as the learning experiences of the organisation, in this case attributed to the years of operation of the agency (Arrow I).

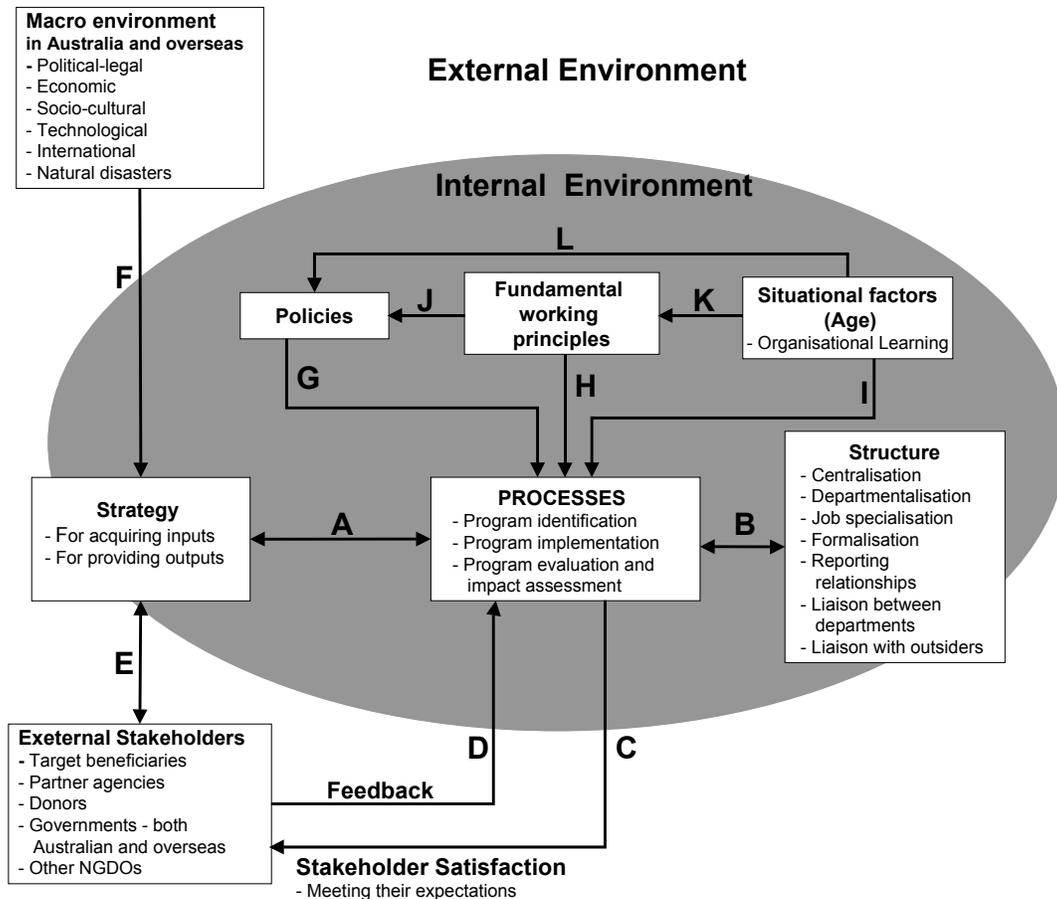


Figure 11.2. Process-based model showing factors affecting processes and consequently stakeholder satisfaction

The evidence presented in the study suggests a number of important issues and concerns for non-governmental aid agencies in international development, both at the organisational level (internal environment) and in relation to the external environment. These are discussed with reference to Figure 11.2 above.

11.4.1 At the Internal Environment

It is important to review the organisational structures and assess the contribution they make to the overall process (Arrow B). Evidence suggests that structures will need to be designed in ways that increase the probability of providing satisfactory services to all stakeholders, by giving sufficient attention to each organisational function and by increasing cross-functional collaboration. As such, aid agencies will need to make strategic decisions with regard to

departmentalisation, staffing, centralisation, formalisation, and liaison relationships, as they choose between the kind of structure as represented by Figure 8.1 or that represented by Figure 8.3, or a mix of these.

Organisational strategies (Arrow A) will also require evaluation to ensure high quality services are delivered. Findings showed that the strategies followed to raise resources, for example, directly impact on the process of service delivery. Such impact may include influencing factors such as the funding arrangements instituted, or deciding whether to include certain aspects of the process such as capacity building. These decisions consequently affected outcomes (Table 8.4). Tables 8.5(a) to 8.5(d) demonstrate the effect of different service delivery strategies on the process, with the short-term strategies perceived as providing lower quality services than the long-term ones.

In evaluating strategies, aid agencies could use some of the indicators already identified for measuring quality processes – such as the indicators for quality funding arrangements (Section 7.3.3), or those for promoting sustainable development (Section 7.5.2). They could assess their fundraising and service delivery strategies to determine the extent to which they facilitate or hinder quality outcomes. As noted by ACFOA (2000d), comprehensive indicators are needed to assess the quality of activities and outcomes of non-governmental agencies.

Thus, as the agencies assess their strategies against these and other indicators, they could similarly examine the indicators to ensure they continue to be relevant and comprehensive. It therefore becomes an exercise of assessing and improving their strategies, while continually developing indicators that they and others can use. Such an exercise leads to the development and implementation of good management practices for aid agencies to ensure that they continually contribute to superior goal achievement.

Fundamental working principles that guided organisational policies (Arrow J) were identified as important in providing the guidelines against which decisions were made and actions taken, thereby affecting processes and outcomes (Arrows G and H). Respondents also noted that policies are difficult to change

and tend to be inflexible. For all agencies, but especially those that had been in existence for at least five years, an assessment of their working principles and policies is essential. Assessing policies and working principles against practices and outcomes is necessary to ensure that they enhance each other and promote the achievement of goals. It serves little purpose, for example, to collect large amounts of useful data that shows the need for improved governance structures of partner agencies, or lack of competencies in important development areas, only to overlook such information in project design and implementation, because the implications appear incompatible with policies.

The aim of these different forms of assessment – assessing strategies, structures, policies and working principles – is to improve on performance. However, improvement will only occur if agencies are able and willing to learn from past experiences, and apply those lessons to new areas (Arrow I). Through learning changes can be made to working principles and policies (Arrows K and L), and consequently on process, strategy and structure. An assessment of these components is only as good as the lessons that can be gained from it to provide insights into the future. Otherwise it becomes no more than an academic exercise of little value to the agency.

11.4.2 At the External Environment

Stakeholder satisfaction (Arrow C) is an important requirement for aid agencies, as stakeholders develop the criteria against which the actions of agencies are likely to be judged (Section 9.2). They also provide feedback on how such criteria have been met, feedback that could influence process determination (Arrow D). Satisfaction is achieved by being responsive to the needs and expectations of the stakeholders. The need to be responsive in turn affects the manner in which services are provided. This could be by influencing the strategies used (Arrow E), or by influencing the steps of the process (Arrow D). The stakeholders are therefore at both the input and output ends of the work of aid agencies. They give inputs (resources, feedback), and they receive outputs (services). This gives them a powerful position with respect to aid agencies.

With the diverse stakeholder expectations (Figure 9.1), and the conflicts that at times exist between those expectations (Figure 9.2), one important role for aid agencies is to bring some coherence to those expectations. Arrow E is bi-directional suggesting organisations can influence stakeholders. This may involve educating and negotiating with stakeholders (more so the powerful ones), where conflicts exist. Through providing logical arguments to stakeholders, aid agencies can justify the decisions and choices they make, and the strategies they pursue.

The goal of such education and negotiation would be to balance between the stakeholder expectations, so that the processes and outcomes are likely to yield optimum results for all. In addition, such education is needed in order to empower their legitimising stakeholders – development clients and partners. Evidence showed that these categories of stakeholders have little power to influence aid agencies, and they have therefore been low priority (Section 9.2.1; 9.2.2). Thus, Arrows C and D (Figure 11.2) represent a mix of levels of satisfaction and feedback, and currently the satisfaction and feedback of clients and partners appears to receive least attention. This position needs to change if the credibility of the aid agencies is to be protected.

In addition, aid agencies need to find ways to be accountable to each other for their actions. Increased collaboration in all spheres is necessary. Findings showed that 64 per cent do not collaborate in project implementation, and that competition for resources prevented collaboration in fundraising too. Agencies have (or should have) a responsibility to ensure that others operating in the same sector abide by some general rules and regulations. This has been the purpose of the ACFOA Code of Conduct (ACFOA 2000c) and the AusAID accreditation process (AusAID 2000a). Unfortunately, these requirements are not prerequisites for aid agencies to exist and conduct their activities, and as increasing numbers are becoming ineligible for accreditation, questions are likely to be raised about the effectiveness of the sector. According to ANAO (1998), since the reformation of AusAID funding mechanisms in 1997 to include the more rigorous accreditation process, the number of accredited agencies dropped from 93 in November 1997, to 68 in July 1998.

During the present study conducted in 2000, the percentage of accredited agencies were: 38 per cent with full accreditation, 33 per cent with base accreditation, and 29 per cent with no accreditation. One respondent to the telephone interviews had also lost accreditation.

In response to the number of agencies being excluded from these oversight mechanisms, it is important that aid agencies find other ways to remain accountable individually and collectively, thus increasing the confidence of stakeholders in the sector, while reducing the probability of criticisms being levelled against them.

The turbulence and uncertainty of the macro environment also demands the attention of aid agencies (Arrow F). The economic environment, while still not fully understood, is creating anxiety among aid agencies as questions begin to be raised about the rationale for aid. On the other hand, aid agencies point to the apparent widening gap between the rich and the poor, and the exclusion and social disintegration arising from neo-liberal philosophies – a situation that increases the need for aid. This suggests that aid agencies need to collectively and continually make a strong case for aid (Sections 9.3.2; 9.3.5). However, Fowler (2000) notes that this is likely to be difficult in the light of increasing evidence that after 30 years of effort the number of poor people in the world has not diminished, but increased – a result that does not inspire public confidence. There is therefore a strong case for collaboration, within Australia and with other agencies globally restore public confidence and advocate for increasing levels of aid.

The diverse political and legal environments represented in various overseas countries suggest diverse approaches to service delivery (Section 9.3.1). Diverse approaches to negotiating entry into the countries and gaining access to communities and partner organisations, diverse approaches in the types of assistance that are viable, and diverse approaches in relating to overseas governments, are required. Needless to say, the approach to be adopted for a particular situation will be dependent on a well-informed aid agency that understands the political-legal environments in its countries of operation.

The socio-cultural and technological environments will also determine approaches to assistance and viable types of assistance. Aid agencies need to appreciate the significance of these environments on the process and strategies of assistance that are adopted, so as to reduce the potential for conflict, and increase the probability that development outcomes will be beneficial to clients and partners.

The evidence gathered from aid agencies in this study suggests that collectively, they have a wide range of experiences on the issues discussed in the study. Individual aid agencies could therefore document, using the framework in Figure 11.2 or a similar one, and based on their experiences, the important contextual factors that have influenced their work, and what their responses have been. This way, they could develop a collective handbook for themselves that helps to not only identify and evaluate operating contexts as they arise and respond accordingly, but to determine likely alternative courses of action when difficulties are encountered. The result would be the implementation within individual agencies, of good development management policies and practices that enhance the achievement of development goals.

11.5 Areas for Further Research

The study, in responding to the research questions, has responded to the statement of significance outlined in Section 1.8. First, it has addressed the issue of assessing the contribution made by aid agencies to the development initiatives by assessing the organisational and external factors affecting outcomes. Second, it has attempted to examine systematically how non-governmental aid agencies function, as a way of identifying patterns of behaviour, principles and practices of delivering development assistance. Third, it has attempted to provide some insights and information to guide observers, critics, partners, clients, donors and other stakeholders to better understand the contexts of operation of non-governmental agencies in donor countries. Such an understanding is fundamental to the establishment of positive working relationships between these mutually dependent groups. Fourth, the study has attempted to include the non-

governmental sector in studies on organisational processes, an area that has been dominated by the business sector.

Further research in this area could be pursued in a number of directions. At the process level, one may be to explore further other organisational processes in international development. As indicated in the statement of significance (Section 1.8) this area is still largely unexplored. Another could be a comparative study, to compare outcomes between different OECD countries, with regard to the functioning of non-governmental aid agencies and the factors influencing their work.

The current study has focused on *similarities* between agencies and identified processes that were generally applicable to all. Using a large population of agencies, another area of research could be to focus on the *differences* between aid agencies based on their development sectors to show, for example, how the processes of service delivery in the micro-enterprise development sector differ from those in the health sector.

At the organisational level, other factors could also be studied, such as human resource management, organisational culture and internal organisational politics, to assess their effect on the process. Also, extending the study on the effectiveness of organisational restructuring on processes, more research is needed to identify the extent to which restructuring does indeed positively affect process. It may be useful to study organisations that have developed and implemented process-oriented structures to increase knowledge in this area.

At the stakeholder level a study could be conducted to include the internal stakeholders – boards of directors and staff. In addition, rather than identifying stakeholder expectations from aid agencies, studies could be conducted that include stakeholders as respondents, to establish what their expectations are, how satisfactorily they perceive those expectations to have been met, and what they see as their role and contribution to the work and outcomes of development organisations.

In the current study, organisational processes of service delivery appeared to be confined to the micro-level actions discussed in Chapter Three. This is probably because aid agencies consider their services to developing countries as occurring at this level, and were therefore able to determine their processes at this level. However, as discussed in Chapter Three, there are also macro-level actions, and these were mentioned occasionally by the study respondents – the development education, policy advocacy and lobbying and involvement in global debates on international development. It would be worthwhile to examine processes at the macro-level, to establish the participation of aid agencies at this realm, and determine how they could be more effective.

11.6 Final Conclusion

There is a wide range of factors that are relevant to the operations of overseas aid agencies, and which affect the outcomes and impact of project work. The study has examined a number of factors that are not necessarily specific to a particular project or sector, that affect development work. They include the various organisational factors of aid agencies, diverse stakeholder expectations, and a turbulent macro environment. Evaluating project work by focusing on the outputs and outcomes of specific projects and on the capabilities of development clients and partner agencies in developing countries therefore begs half the issue. The context for success or failure is much broader.

The proposition of this study therefore is that as aid agencies and other interested stakeholders, as well as critics continue to evaluate the field projects in developing countries, they ought to include an inquiry into the organisational factors of those involved in the donor end of the aid chain. Stakeholders may consider examining how their own expectations and requirements influence what aid agencies are able to achieve. And the macro environment trends should not be overlooked.

In conclusion, the study has developed two models – one for determining organisational processes (Figure 11.1) and another for determining the intervening factors on process (Figure 11.2). These models are by no means conclusive. On the contrary, they open up new lines of inquiry into what constitutes organisational processes of development organisations, the relationships that exist between processes and intervening variables, and consequently the achievement of development goals. Such lines of inquiry can only lead organisations to more critically assess their activities and outcomes, determine where mismatches occur between intentions and outcomes, and develop appropriate responses that would improve their effectiveness in international development.

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APPENDICES

Appendix I	Human Research Ethics Committee Approval
Appendix II	Interview guide
Appendix III	Mail Questionnaire
Appendix IV	Preliminary Notification to Telephone Interview
Appendix V	Schedule of Telephone Interviews
Appendix VI	Preliminary Notification to Mail Survey
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Appendix XI	Frequency Distribution Tables

Information to Respondents

I am currently enrolled at Victoria University of Technology, Melbourne for a Doctor of Philosophy degree. This is a research degree and in fulfilling my course requirements, I need to prepare a thesis based on my research findings. I propose to conduct a study that focuses on Australian-based non-government development organisations (NGDOs).

The aim of the study is to examine strategic options taken by NGDO leaders and managers, and what they are able to achieve as a way of identifying patterns of behaviour, general principles and different practices of management. This is because as the need for development assistance increases, NGDOs are having to scale up their impact, diversify their activities, respond to long-term crises and improve their performance at all fronts. Leaders and managers of NGDOs are finding the need for practical guidelines to how their organisations can fulfil these demanding expectations.

Your organisation is being requested to participate in a study that aims at researching on some of the issues that influence the performance of NGDOs. The study also aims to determine and develop a framework of considerations that NGDOs may use to guide the implementation of good development management practices for improved performance in future.

Your participation is therefore very important to allow for a comprehensive analysis of the NGDO community in Australia. An overview of the findings will be made available to you.

Please be assured of complete confidentiality. The information you provide will be treated in strictest confidence. Strict ethical principles will be observed to ensure confidentiality. The study outcomes and report will not include reference to any individuals or organisations.

Your participation in this study is highly appreciated. Thank you.

Yours sincerely,

Ruth Kiraka
Research Student
School of Management
Victoria University of Technology

CONSENT FORM

We would like to invite you to be part of a study into 'Assessing the Performance of Australian Non-Governmental Development Organisations: The Role of Organisational Strategy, Structure and the External Environment.'

Attached please find details of the study aims, anticipated outcomes and the significance of your contribution.

CERTIFICATION BY SUBJECT

I _____

Of _____

Certify that I am at least 18 years old and that I am voluntarily giving my consent to participate in the experiment entitled:

Assessing the Performance of Australian Non-Governmental Development Organisations: The Role of Organisational Strategy, Structure and the External Environment being conducted at Victoria University of Technology by Dr. Karen Manning and Ms. Ruth Kiraka.

I certify that the objectives of the study together with any risks to me associated with the procedures listed hereunder to be carried out in the study have been fully explained to me by Ms. Ruth Kiraka, and I freely consent to participation involving the use of these procedures on me.

Procedures:

1. Telephone interview
2. Mail Survey
3. Provision of secondary data (documents)

I certify that I have had an opportunity to have any questions answered and that I understand that I can withdraw from the study at any time and that this withdrawal will not jeopardise me in any way.

I have been informed that the information I provide will be kept confidential.

Signed:

Witness: Date:

Any queries about your participation in this project may be directed to the researcher Ms. Ruth Kiraka on Ph. (03) 9248 1070. If you have any queries or complaints about the way you have been treated, you may contact the Secretary, University Human Research Ethics Committee, Victoria University of Technology, PO Box 14428 MC, Melbourne, 8001, Telephone no: 03-9688 4710.

Appendix II Interview Guide

ASSESSING THE SERVICE DELIVERY FUNCTION OF AUSTRALIAN NON-GOVERNMENTAL ORGANISATIONS

PART A: SERVICE DELIVERY PROCESS

Q1: When was the organisation started and what was the motivation for starting it?

Q2: What sectors of development does your agency focus on?

- Sectoral development – e.g., health, water development, micro-enterprise development, food security
- Organisational development – capacity building for partner NGOs and development clients
- Institutional development – advocacy and development of civil society in developing countries
- Any emergency relief activities

Q3: Could you please explain how your agency gets involved with specific communities/projects so as to participate in these activities?

- Making the initial contact
- Identifying the needs
- Assessing needs
- Prioritising needs
- Deciding what to do

Q4: What are some of the criteria used in determining which of a broad range of potential projects ought to receive assistance – i.e., prioritisation of needs?

- Justification
- Viability of project
- Potential impact
- Targeting the poorest in communities
- Replicability
- Potential for sustainability
- Political stability in developing country

Q5: Once the projects have been earmarked for assistance, how does the organisation proceed to implement/support them?

- Any contractual agreements signed?
- Capacity building activities – for development clients and for partner agencies?
- Management of funding arrangements – How are key issues of predictability, reliability and continuity of funding addressed?
- How is the general question of quality funding arrangements addressed, that is, meeting the needs of development clients, monitoring utilisation of funds, timeliness of funds disbursements, and appropriateness of aid provided?

Q6: During and after project implementation, how does the organisation monitor its field activities to ensure the anticipated outcomes are realised, that is, how are the monitoring, evaluation and impact assessment tasks carried out?

- Monitoring
- Evaluation – of projects; of organisational policies
- Impact assessment

Q7: How is the issue of project sustainability addressed?

PART B: FACTORS AFFECTING SERVICE DELIVERY

Q8: Have there been instances where the expected level of achievement and outcomes has not been realised? If so, what have been some of the reasons?

- Organisational reasons – Inadequate well-trained personnel, poor coordination, policies inconsistent with expected outcomes, poor targeting of aid, inappropriate aid, conflicts between aid agency and partner agency/development clients
- External (stakeholder) reasons – Inadequate financial resources, conflicts between different categories of stakeholders – e.g. between development clients and partner agencies, conflicts within one category of stakeholders, e.g., between different ethnic groups of development clients
- External (macro-environment) reasons – Political unrest, natural disasters, economic instability, cultural incongruence between aid agencies and their partner organisations

Q9: How have you addressed these constraints to service delivery?

PART C: ORGANISATIONAL FACTORS

(a) Strategies for mobilising financial resources

Q10: What level of AusAID accreditation does the agency have?

Q11: What is your average annual budget?

Q12: As an aid agency, one of your main tasks would be the mobilisation of financial resources for the delivery of the services discussed. What strategies are you using to raise financial resources?

- Development education
- Child sponsorship
- Direct mail appeals
- Collaboration with corporations
- Accessing funds through the AusAID-NGO schemes
- Contracting from the Australian government and overseas institutions
- Membership contributions and subscriptions
- Self financing activities

Q13: What percentage of your total income was raised from each of these strategies and sources in the 1998-1999 financial year?

- Australian public
- Australian Government (AusAID)
- Corporations, Foundations and Trusts
- Overseas agencies – other bilateral and multilateral agencies
- Self financing programs (income generating activities within the organisation)

Q14: What levels of success have you had with these strategies in the past?

Q15: For the strategies that you have not been very successful, to what might you attribute that low level of success?

Q16: How do you planning to increase your financial resources in the coming years – future fundraising strategies?

Q17: Could you please give an overview of your expenditure for the 1998-1999 financial year?

- Overseas projects
- Domestic project

- Development education
- Fundraising activities
- Administrative costs
- Staff development

(b) Structuring of the organisation

Q18: In what State/Territory is the organisation's headquarters?

Q19: How many paid staff are in the organisation? Where are the staff located?

Q20: How many volunteers work for the organisation?

Q21: Have you needed to restructure your organisation any time in the past five years? If so, what have been the reasons?

- Advantages of the current structure
- Reasons for restructuring if any

Could you please email or fax (to the researcher) a copy of your organisational chart?

PART D: FUTURE DIRECTIONS

Q22: What are the main challenges you face in your work?

- Organisational
- Stakeholders
- Other external influences

Q23: How are you/or do you hope to address these challenges?

- Organisational
- Stakeholders
- Other external influences

Q24: Looking at your current position with regard to achievements and challenges, where do you see your organisation in the next 5 to 10 years?

- Diversified

- Expanding
- Refocused
- Stopping various services
- Merging with others
- Shutting down

Q25: What do you see as the future of the NGDO sector in Australia in international development?

- Increased/decreased international cooperation with the aid sector overseas/multilateral agencies
- Collapsing/growing of smaller agencies
- Increased/decreased competition for resources
- Increased/decreased cooperation with other sectors
- Increased/decreased cooperation with government agencies (official aid)

IDENTIFICATION INFORMATION

Name of Organisation: _____
(For researcher use only)

Title of Interviewee: _____

Day of Interview: _____ Date of Interview: _____

Time of Interview: _____ Interview Code: _____

ASSESSING THE SERVICE DELIVERY FUNCTION OF AUSTRALIAN NON-GOVERNMENTAL DEVELOPMENT ORGANISATIONS

CODE: _____

INSTRUCTIONS: Please complete the following questionnaire using the instructions provided for each section.

CONFIDENTIALITY: The responses you provided will be strictly confidential. No reference will be made to any individuals or organisations in the outcomes and report of the study.

Section A: Preliminary Information

Could you please provide the following preliminary information about your organisation. Please tick (✓) in the appropriate box.

1. When was the organisation started? (year)

2. In what State/Territory is the organisation's headquarters?
 NSW VIC QLD SA WA TAS ACT NT

3. Are there any other offices in Australia? Yes No

If so, where are they located? (Tick all that apply)
 NSW VIC QLD SA WA TAS ACT NT

4. How many paid staff, both full-time and part-time, does the organisation employ in Australia? (include all State/Territory offices)

 Less than 10 10-25 25-50 50-100 More than 100

5. How many volunteers does the organisation have?
 Less than 10 10-25 25-50 50-100 More than 100

6. Please draw a simple organisational structure of your organisation.

7. Has the organisation been restructured any time in the last 10-15 years?

- Yes No

8. If yes, what were some of the reasons for restructuring? Please tick (✓) all the reasons that apply.

	Reasons
	Changes in Australian government policies regarding NGO operations
	Changes in regulations regarding government funding
	To capture more fundraising opportunities
	To improve collaborative and networking activities with other NGOs working in similar areas and sectors
	Changing community needs and values in target countries
	To deliver more program activities to beneficiaries
	To decentralise decision-making
	To reduce administrative expenditure
	To allow for the diversified activities that the organisation was engaging in
	To abide by the Code of Conduct as stipulated by ACFOA
	To allow for more liaison with government
	To allow for Research and Development activities
	To satisfy other stakeholder requirements
	Other reasons, please specify

Section B: Service Delivery

(I) CRITERIA FOR PROGRAM IDENTIFICATION AND IMPLEMENTATION

9. How are programs and projects identified?

- By overseas partner NGO
 Through requests from prospective beneficiaries
 Through a project identification mission by the agency
 Other, please specify _____

Please rate the following statements on a scale of 1-4. Place a tick in the appropriate box against each statement to indicate your rating, where:

1= Never 2= Sometimes 3= Usually 4= Always

	Item	1	2	3	4
10.	There is a standard project proposal format or other system for documenting proposals				
11.	The agency gathers baseline data prior to project implementation				
12.	The agency has the necessary expertise to analyse proposals from different perspectives such as gender, economics, environmental impact, human rights, social impact and community participation				
13.	The agency collaborates with other Australian NGOs when implementing projects				

14.	The agency calls on private consultants to assist in project implementation				
15.	There are set timelines within which project proposals should be submitted for consideration				

(II) AID MANAGEMENT

Please rate the following statements on a scale of 1-4 regarding how your agency manages aid. Place a tick in the appropriate box against each statement to indicate your rating, where:

1= Never 2= Sometimes 3= Usually 4= Always

	Item	1	2	3	4
16.	There are agreement documents detailing the expectations of partner organisations (that is, between the aid agency and the implementing organisation)				
17.	Formats for submitting narrative and financial reports are determined by the aid agency				
18.	Funding is usually done on a project-by-project basis (as opposed to block grants or program funding)				
19.	Once proposals are approved for funding, predictability and reliability of aid is guaranteed for the duration of the project, subject to satisfactory annual progress reporting				
20.	Disbursement of funds is done within a month of approval of a proposal				
21.	Financial and narrative reporting on project activities is expected at least twice a year				

(III) MONITORING AND EVALUATION OF THE AGENCY

Please rate the following statements on a scale of 1-4, to determine ways in which your organisation assesses itself. Place a tick in the appropriate box against each statement to indicate your rating, where:

1= Never 2= Sometimes 3= Usually 4= Always

	Item	1	2	3	4
22.	The aid agency regularly conducts a policy evaluation to determine the appropriateness of its policies and practices				
23.	The agency has developed guidelines for conducting project evaluations				
24.	The agency has a documented strategic plan against which performance is measured				
25.	The agency conducts departmental performance audits to determine whether it is achieving its objectives economically, efficiently and effectively				

(IV) SUSTAINABILITY

Please rate the following statements on a scale of 1-4, to determine ways in which the agency addresses the issue of sustainability. Place a tick (✓) in the appropriate box against each statement to indicate your rating, where:

1= Never 2= Sometimes 3= Usually 4= Always

	Item	1	2	3	4
26.	The agency works with governments in countries of implementing organisations				
27.	The agency ensures that the implementing organisation has the capacity to sustain the development through nurturing, community leadership, training and maintain community involvement				
28.	The recipients are able to take over the recurrent costs of the project				
29.	The project activities aim to promote equal opportunities for women and men as both participants and beneficiaries				
30.	The projects use locally available technology and equipment				
31.	The project design takes into consideration external factors (such as economic, political and cultural) that may affect sustainability				
32.	The local people receive the necessary training to keep the project going				

Section C: Fundraising

33. What level of AusAID accreditation does your agency have?

- Base Accreditation Full Accreditation No Accreditation

34. What percentage of your income is from the following sources? Please place a tick in the appropriate box.

	None	0-5%	6-10%	11-20 %	21-30%	31-50%	50-75%	Over 75%
Individual donations and gifts								
Government grants								
Bequests & legacies								
Overseas agencies								
Corporations								
Investments								
Other, please specify								

35. What is your average annual budget (\$ A)?

- Less than 50,000 50,000-100,000 100,000-250,000
 250,000-500,000 500,000-1,000,000 Over 1,000,000

36. What was percentage expenditure on the following items? Please place a tick in the appropriate box.

	None	0-5%	6-10%	11-20%	21-30%	31-50%	51-75%	Over 75%
Overseas projects								
Projects in Australia								
Fundraising								
Development education								
Administration								
Staff development (in Australia)								
Other, please specify								

37. How do you hope to raise more funds?

- Extending the agency's successful fundraising methods to reach new givers
- Developing new strategies targeted at existing givers
- Establishing a fundraising department
- Advertising through the print and electronic media
- Developing more competitive strategies to capture government funds
- Other, please specify

Section D: Challenges and Future Direction

(I) OVERVIEW OF CHALLENGES

Please rate the following statements on a scale of 1-4, to indicate the challenges your agency is faced with. Place a tick (✓) in the appropriate box against each statement to indicate your rating, where:

1= Never 2= Sometimes 3= Usually 4= Always

	Item	1	2	3	4
38.	Increasing your funding base				
39.	Having adequate trained personnel				
40.	Lack of appropriate technology/equipment				
41.	Changing government policies especially with regard to AusAID funding				
42.	Improving collaboration with other agencies doing similar work				
43.	Lack of appropriate governance and management structures in partner organisations				
44.	Addressing conflicting interests of stakeholders				
45.	Political unrest in target countries				
46.	Economic recession in target countries				
47.	Natural disasters in target countries				
48.	Recipients slow pace in implementing projects and reporting				
49.	Impact of globalisation on poor communities/countries				
50.	Other, please specify				

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(II) FUTURE DIRECTION

51. What do you see as the future of the NGO sector in Australia, in international development?

Thank you very much for taking the time to respond to this questionnaire. Your invaluable contribution is greatly appreciated.

**Please return the completed questionnaire in the enclosed self-addressed postage paid reply envelope.
Thank you.**

PRELIMINARY NOTIFICATION TO TELEPHONE INTERVIEWS

5th June 2000

«Title» «FirstName» «LastName»
«JobTitle»
«Company»
«Address1» «Address2»
«City», «State» «PostalCode»

Dear «Title» «LastName»,

RE: A STUDY OF AUSTRALIAN NON-GOVERNMENTAL DEVELOPMENT ORGANISATIONS

Within a week or so, we will be calling you from Victoria University of Technology, Melbourne, as part of a research study. This is a survey of the Australian based non-governmental development organisations in which we are seeking to examine the strategic options they take, and what they have achieved as a way of identifying patterns of behaviour, general principles and different practices of management.

We are writing in advance of the telephone interview as respondents often appreciate being advised that a study is in process and that they will be called. The interview should take about thirty (30) minutes. If we should happen to call at an inconvenient time, please let the interviewer know and we will be happy to call back later.

Our interviewer, Ms. Ruth Kiraka, will request to interview a senior level management member of staff in our organisation. Through your comprehensive responses, your help and that of the others being asked to participate in this study is essential to the success of the study. We greatly appreciate it.

Please note that the study would be conducted as academic research and the information provided would be treated in the strictest confidence. Strict ethical principles will be observed to ensure confidentiality. The study outcomes and report will not include reference to any individuals or organisations. As a sign of our appreciation for your participation, a generic overview of the findings will be made available to you.

If you have any questions, please do not hesitate to ask our interviewer or contact her on (03) 9248 1070, or e-mail at Ruth.Kiraka@research.vu.edu.au. You may also contact me by phone on (03) 9248 1043, or e-mail at Karen.Manning@vu.edu.au.

Yours Sincerely,

Dr. Karen Manning
Principal Supervisor
School of Management

Appendix V

SCHEDULE OF TELEPHONE INTERVIEWS

Interview	Date conducted	Time of interview	Position of respondent
Interview A	19 th June 2000 (Monday – at request of respondent)	10.20am – 11.10am	National Director
Interview B	20 th June 2000 (Tuesday)	12.00pm – 12.45pm	Chief Executive
Interview C	28 th June 2000 (Wednesday)	11.45am – 12.30pm	Vice President
Interview D	21 st June 2000 (Wednesday)	11.00am – 12.20pm	Administrator
Interview E	22 nd June 2000 (Thursday)	10.40am – 11.30am	Chief Executive
Interview F	27 th June 2000 (Tuesday)	10.25am – 11.05am	Programs Manager
Interview G	29 th June 2000 (Thursday)	11.15am – 12.05pm	Administrator
Interview H	4 th July 2000 (Tuesday)	10.30am – 11.10am	Projects Coordinator
Interview J	11 th July 2000 (Tuesday)	11.30am – 12.05pm	Overseas Programs Coordinator
Interview K	5 th July 2000 (Wednesday)	10.00am – 11.15am	Overseas Programs Executive
Interview L	3 rd July 2000 (Monday – at request of respondent)	11.05am – 11.40am	Chief Executive

PRELIMINARY NOTIFICATION TO MAIL SURVEY

17th July 2000

«Title» «FirstName» «LastName»
 «JobTitle»
 «Company»
 «Address1» «Address2»
 «City», «State» «PostalCode»

Dear «Title» «LastName»,

RE: A STUDY OF AUSTRALIAN BASED NON-GOVERNMENTAL DEVELOPMENT ORGANISATIONS

As the need for development assistance increases, development Non-Governmental Development Organisations (NGDOs) are having to scale up their impact, diversify their activities, respond to long-term crises and improve their performance on all fronts. Leaders and managers of NGDOs are finding the need for practical guidelines to how their organisations can fulfil these demanding expectations. In response to this need, Ms. Ruth Kiraka, through the School of Management, Victoria University of Technology will be conducting a study for all Australian based NGDOs.

The study titled *Assessing the Performance of Australian Non-Governmental Organisations: Organisational Processes and the Role of Organisational Strategy, Structure and the External Environment*, is the research for a Doctor of Philosophy degree.

The aims of the study will be to:

- Identify and describe the organisational processes of organisations – that is, how organisations deliver development assistance;
- Examine how the strategies and structures in organisations are influenced by the context in which the organisation operates, and how that in turn affects service delivery;
- Develop a profile of strategic considerations that NGDOs may take into account to improve their service delivery function.

The significance of the study will be to examine systematically how NGDOs function and what they have achieved as a way of identifying patterns of behavior, general principles and different practices of management. The study requires about fifteen minutes of your time to complete a survey questionnaire. The questionnaire will be sent to you shortly.

Please note that the study will be conducted as academic research and the information provided will be treated in the strictest confidence. Strict ethical principles will be observed to ensure confidentiality. Also note that a generic overview of the findings will be made available to you. If you have any questions, please do not hesitate to contact Ms. Ruth Kiraka on (03) 9248 1070, or e-mail at Ruth.Kiraka@research.vu.edu.au. You may also contact me by phone on (03) 9248 1043, or e-mail at Karen.Manning@vu.edu.au.

Yours Sincerely,

Dr. Karen Manning
Principal Supervisor
School of Management

COVERING LETTER TO THE MAIL SURVEY

2 August 2000

«Title» «FirstName» «LastName»
 «JobTitle»
 «Company»
 «Address1» «Address2»
 «City», «State» «PostalCode»

Dear «Title» «LastName»,

RE: A STUDY OF AUSTRALIAN NON-GOVERNMENTAL DEVELOPMENT ORGANISATIONS

As the need for development assistance increases, development Non-Governmental Development Organisations (NGDOs) are having to scale up their impact, diversify their activities, respond to long-term crises and improve their performance on all fronts. Leaders and managers of NGOs are finding the need for practical guidelines to how their organisations can fulfil these demanding expectations.

In response to this need, Ms. Ruth Kiraka, School of Management, Victoria University of Technology is conducting a study of the NGDO sector in Australia.

The study titled *Assessing the Performance of Australian Non-Governmental Organisations: Organisational Processes and the Role of Organisational Strategy, Structure and the External Environment*, is the research for a Doctor of Philosophy degree.

The aims of the study are to:

- Identify and describe the organisational processes of organisations – that is, how organisations deliver development assistance;
- Examine how the strategies and structures in organisations are influenced by the context in which the organisation operates, and how that in turn affects service delivery;
- Develop a profile of strategic considerations that NGDOs may take into account to improve their service delivery function.

It is to this end that we believe your input to this research is crucial.

Please note that the study will be conducted as academic research and the information provided would be treated in the strictest confidence. Strict ethical principles will be observed to ensure confidentiality. The questionnaire has an identification number for mailing purposes only. The responses you provide in this questionnaire are completely confidential. The study outcomes and report will not include reference to any individuals or organisations.

In order to ensure a comprehensive analysis of the findings, it is important that each questionnaire be completed and returned. We also request that the questionnaire be completed by a senior level management member of staff in your organisation.

As a sign of our appreciation for your participation, a generic overview of the findings will be made available to you.

To facilitate the completion of this study, could you please take the next 15 minutes to complete the attached questionnaire and return it in the enclosed self-addressed postage paid reply envelope on or before **25th August 2000**.

In case of any questions, please do not hesitate to contact me on tel. (03) 9248 1043, e-mail Karen.Manning@vu.edu.au. You may also contact Ms. Kiraka on tel. (03) 9248 1070, e-mail ruth.kiraka@research.vu.edu.au.

Thank you very much for your invaluable contribution.

Yours Sincerely,

Dr. Karen Manning
Principal Supervisor
School of Management

FOLLOW UP LETTER TO THE MAIL SURVEY

4th September 2000

«Title» «FirstName» «LastName»
«JobTitle»
«Company»
«Address1» «Address2»
«City», «State» «PostalCode»

Dear «Title» «LastName»,

RE: A STUDY OF AUSTRALIAN NON-GOVERNMENTAL DEVELOPMENT ORGANISATIONS

About a month ago we wrote to you seeking your input on the strategic options NGOs have taken, and what they have achieved as a way of identifying patterns of behaviour, general principles and different practices of management.

We have undertaken this study because of the significance we believe it has in addressing NGO needs and concerns, as they attempt to scale up their impact, diversify their activities, respond to long-term crises and improve their performance on all fronts.

I am writing to you again because of the significance each questionnaire has to the usefulness of this study. In order to ensure a comprehensive analysis of the findings, it is important that each questionnaire be completed and returned. As mentioned in our previous communication we also request that the questionnaire be completed by a senior level management member of staff in your organisation.

Please note that the study would be conducted as academic research and the information provided would be treated in the strictest confidence. Strict ethical principles will be observed to ensure confidentiality. The questionnaire has an identification number for mailing purposes only. The responses you provide in this questionnaire are completely confidential. The study outcomes and report will not include reference to any individuals or organisations. As a sign of our appreciation for your participation, a generic overview of the findings will be made available to you. In the event that your questionnaire has been misplaced, a replacement is enclosed.

To facilitate the completion of this study, could you please take the next 15 minutes to complete the questionnaire and return it in the enclosed self-addressed postage paid reply envelope on or before **22nd September 2000**.

In case of any questions, please do not hesitate to contact me on tel. (03) 9248 1043, e-mail Karen.Manning@vu.edu.au. You may also contact Ms. Ruth Kiraka on tel. (03) 9248 1070, e-mail ruth.kiraka@research.vu.edu.au.

Thank you very much for your invaluable contribution.

Yours Sincerely,

Dr. Karen Manning
Principal Supervisor
School of Management

LIST OF SECONDARY DATA GATHERED FROM RESPONDENTS

(The secondary data was mailed, faxed or e-mailed. Alternatively respondents directed the researcher to their web sites for additional information)

Telephone interview respondents		
Respondent	Secondary data	
1. Respondent A	Annual report 1998-99; Background information	
2. Respondent B		
3. Respondent C		
4. Respondent D		
5. Respondent E	Monthly updates (July – Dec. 2000); Annual Reports 1998 and 1999; Background information; Current activities; Media releases; Documentation on governance and best practices; strategic plans 1998-2002.	
6. Respondent F	Annual report 1999; March 2000 newsletter; Details of activities; Project proposal format	
7. Respondent G		
8. Respondent H	Background information; Summer 1999 and Winter 2000 bulletins; Annual report 1998; Project proposal format	
9. Respondent J	Background information; Annual report 1998-99; Publications on aid, debt, education, development; Development Program document detailing current activities.	
10. Respondent K	Background information; Overseas Development Program document detailing current activities.	
11. Respondent L		

Mail survey respondents

	Respondent	Secondary data
1.	Respondent 004	Background information; fact sheets; current activities; annual report 1998-99
2.	Respondent 005	Background information; current activities; Nov. 2000 newsletter
3.	Respondent 008	
4.	Respondent 010	
5.	Respondent 011	Background information; current projects.
6.	Respondent 012	Background information (brochure); current activities
7.	Respondent 013	Background information
8.	Respondent 014	Background information; current activities.
9.	Respondent 019	Annual report 1998-99; background information; current activities; 1998 newsletter.
10.	Respondent 020	Background information; working policies.
11.	Respondent 022	
12.	Respondent 024	Background information; current projects
13.	Respondent 025	Background information; current projects; annual report 1999.
14.	Respondent 026	Background information; newsletters dating between Nov. 96 and March 2000.
15.	Respondent 029	Background information; annual report 1998-99; strategic plan 1996-2000.
16.	Respondent 031	Background information; current activities
17.	Respondent 032	Background information; current activities;
18.	Respondent 033	History; current programs; partnerships.
19.	Respondent 035	
20.	Respondent 037	Background information; and current activities.
21.	Respondent 039	Background information; current activities

Respondent	Secondary data
22. Respondent 041	
23. Respondent 043	Background information; current activities.
24. Respondent 044	
25. Respondent 045	Background information; annual report 1999
26. Respondent 046	
27. Respondent 047	
28. Respondent 049	
29. Respondent 052	
30. Respondent 055	
31. Respondent 056	Background information; current activities, corporate partnerships
32. Respondent 058	
33. Respondent 068	Annual report 1998-99; background information.
34. Respondent 071	
35. Respondent 073	Background information; summer 1999 and winter 2000 bulletins and newsletters; annual report 1998.
36. Respondent 076	Brochure; history; Annual report 1998
37. Respondent 077	Background information; current programs
38. Respondent 079	Background information and activities
39. Respondent 080	
40. Respondent 081	Background information; current activities
41. Respondent 082	Background information
42. Respondent 083	
43. Respondent 084	Background information; current programs; constitution
44. Respondent 087	
45. Respondent 088	Background information; annual report 1998

FREQUENCY DISTRIBUTION TABLES

Q2 Organisation headquarters

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	NSW	22	48.9	48.9	48.9
	VIC	13	28.9	28.9	77.8
	QLD	1	2.2	2.2	80.0
	SA	3	6.7	6.7	86.7
	ACT	6	13.3	13.3	100.0
	Total		45	100.0	100.0

Q3 Other offices in Australia

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	15	33.3	33.3	33.3
	No	30	66.7	66.7	100.0
	Total	45	100.0	100.0	

Q3.1 Location of other offices – NSW

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	8	17.8	17.8	17.8
	No	7	15.5	15.5	33.3
	N/A	30	66.7	66.7	100.0
	Total	45	100.0	100.0	

Q3.2 Location of other offices – VIC

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	9	20.0	20.0	20.0
	No	6	13.3	13.3	33.3
	N/A	30	66.7	66.7	100.0
	Total	45	100.0	100.0	

Q3.3 Location of other offices – Qld

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	10	22.2	22.2	22.2
	No	5	11.1	11.1	33.3
	N/A	30	66.7	66.7	100.0
	Total	45	100.0	100.0	

Q3.4 Location of other offices – SA

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	11	24.4	24.4	24.4
	No	4	8.9	8.9	33.3
	N/A	30	66.7	66.7	100.0
	Total	45	100.0	100.0	

Q3.5 Location of other offices – WA

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	9	20.0	20.0	20.0
	No	6	13.3	13.3	33.3
	N/A	30	66.7	66.7	100.0
	Total	45	100.0	100.0	

Q3.6 Location of other offices – Tas

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	7	15.6	15.6	15.6
	No	8	17.8	17.8	33.3
	N/A	30	66.7	66.7	100.0
	Total	45	100.0	100.0	

Q3.7 Location of other offices – ACT

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	4	8.9	8.9	8.9
	No	11	24.4	24.4	33.3
	N/A	30	66.7	66.7	100.0
	Total	45	100.0	100.0	

Q3.8 Location of other offices – NT

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	6	13.3	13.3	13.3
	No	9	20.0	20.0	33.3
	N/A	30	66.7	66.7	100.0
	Total	45	100.0	100.0	

Q4 Number of paid staff

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	None	3	6.7	6.7	6.7
	Less than 10	17	37.8	37.8	44.5
	10-25	13	28.9	28.9	73.4
	26-50	5	11.1	11.1	84.5
	51-100	1	2.2	2.2	86.7
	More than 100	6	13.3	13.3	100.0
	Total	45	100.0	100.0	

Q5 Number of volunteers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 10	15	33.3	33.3	33.3
	10-25	9	20.0	20.0	53.3
	26-50	3	6.7	6.7	60.0
	51-100	5	11.1	11.1	71.1
	More than 100	13	28.9	28.9	100.0
	Total	45	100.0	100.0	

Q7 Has organisation been restructured

		Frequency	Percent	Valid Percent	Cumulative Percent
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Valid	Yes	31	68.9	68.9	68.9
	No	14	31.1	31.1	100.0
	Total	45	100.0	100.0	

Q8 Reasons for restructuring

Q8.1 Change in Australian government policies on aid agencies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	8	17.8	17.8	17.8
	No	23	51.1	51.1	68.9
	N/A	14	31.1	31.1	100.0
	Total	45	100.0	100.0	

Q8.2 Changes in funding regulations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	6	13.3	13.3	13.3
	No	25	55.6	55.6	68.9
	N/A	14	31.1	31.1	100.0
	Total	45	100.0	100.0	

Q8.3 Capture more fundraising opportunities

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	13	28.9	28.9	28.9
	No	18	40.0	40.0	68.9
	N/A	14	31.1	31.1	100.0
	Total	45	100.0	100.0	

Q8.4 Improve collaboration and networking

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	6	13.3	13.3	13.3
	No	25	55.6	55.6	68.9
	N/A	14	31.1	31.1	100.0
	Total	45	100.0	100.0	

Q8.5 Changing community needs and values

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	5	11.1	11.1	11.1
	No	26	57.8	57.8	68.9
	N/A	14	31.1	31.1	100.0
	Total	45	100.0	100.0	

Q8.6 To deliver more program activities

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	13	28.9	28.9	28.9
	No	18	40.0	40.0	68.9

	N/A	14	31.1	31.1	100.0
	Total	45	100.0	100.0	

Q8.7 To decentralise decision-making

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	12	26.7	26.7	26.7
	No	19	42.2	42.2	68.9
	N/A	14	31.1	31.1	100.0
	Total	45	100.0	100.0	

Q8.8 To reduce administrative expenditure

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	11	24.4	24.4	24.4
	No	20	44.4	44.4	68.9
	N/A	14	31.1	31.1	100.0
	Total	45	100.0	100.0	

Q8.9 To allow for diversification of activities

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	13	28.9	28.9	28.9
	No	18	40.0	40.0	68.9
	N/A	14	31.1	31.1	100.0
	Total	45	100.0	100.0	

Q8.10 To abide by the ACFOA Code of Conduct

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	6	13.3	13.3	13.3
	No	25	55.6	55.6	68.9
	N/A	14	31.1	31.1	100.0
	Total	45	100.0	100.0	

Q8.11 To allow for more liaison with governments

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	4	8.9	8.9	8.9
	No	27	60.0	60.0	68.9
	N/A	14	31.1	31.1	100.0
	Total	45	100.0	100.0	

Q8.12 To allow for research and development

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	5	11.1	11.1	11.1
	No	26	57.8	57.8	68.9
	N/A	14	31.1	31.1	100.0

Total	45	100.0	100.0
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Q8.13 To satisfy other stakeholder requirements

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	8	17.8	17.8	17.8
	No	23	51.1	51.1	68.9
	N/A	14	31.1	31.1	100.0
	Total	45	100.0	100.0	

Q9 Identification of program and project areas**Q9.1 By overseas partner agency**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	28	62.2	65.1	65.1
	No	15	33.3	34.9	100.0
	Total	43	95.6	100.0	
Missing	900	2	4.4		
Total		45	100.0		

Q9.2 Requests from prospective beneficiaries

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	20	44.4	46.5	46.5
	No	23	51.1	53.5	100.0
	Total	43	95.6	100.0	
Missing	900	2	4.4		
Total		45	100.0		

Q9.3 Project identification mission by the aid agency

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	22	48.9	51.2	51.2
	No	21	46.7	48.8	100.0
	Total	43	95.6	100.0	
Missing	900	2	4.4		
Total		45	100.0		

Q10 Has standard project proposal format

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	4	8.9	9.8	9.8
	Sometimes	5	11.1	12.2	22.0
	Usually	12	26.7	29.3	51.2
	Always	20	44.4	48.8	100.0

	Total	41	91.1	100.0
Missing	900	4	8.9	
Total		45	100.0	

Q11 Gathers baseline data

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	3	6.7	7.3	7.3
	Sometimes	8	17.8	19.5	26.8
	Usually	11	24.4	26.8	53.7
	Always	19	42.2	46.3	100.0
	Total	41	91.1	100.0	
Missing	900	4	8.9		
Total		45	100.0		

Q12 Has necessary expertise to analyse proposals

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	2	4.4	4.9	4.9
	Sometimes	5	11.1	12.2	17.1
	Usually	17	37.8	41.5	58.5
	Always	17	37.8	41.5	100.0
	Total	41	91.1	100.0	
Missing	900	4	8.9		
Total		45	100.0		

Q13 Collaborates with Australian aid agencies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	27	60.0	64.3	64.3
	Sometimes	9	20.0	21.4	85.7
	Usually	3	6.7	7.1	92.9
	Always	3	6.7	7.1	100.0
	Total	42	93.3	100.0	
Missing	900	3	6.7		
Total		45	100.0		

Q14 Calls on private consultants for project proposal review

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	18	40.0	42.9	42.9
	Sometimes	22	48.9	52.4	95.6
	Always	2	4.4	4.8	100.0
	Total	42	93.3	100.0	
Missing	900	3	6.7		
Total		45	100.0		

Q15 Has set timelines for submission of project proposals

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	9	20.0	22.0	22.0
	Sometimes	10	22.2	24.4	46.3
	Usually	14	31.1	34.1	80.5
	Always	8	17.8	19.5	100.0
	Total	41	91.1	100.0	
Missing	900	4	8.9		

Total	45	100.0
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Q16 Agreement documents signed by partners

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	2	4.4	4.8	4.8
	Sometimes	3	6.7	7.1	11.9
	Usually	11	24.4	26.2	38.1
	Always	26	57.8	61.9	100.0
	Total	42	93.3	100.0	
Missing	900	3	6.7		
Total		45	100.0		

Q 17 Has formats for narrative and financial reporting

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	1	2.2	2.4	2.4
	Sometimes	3	6.7	7.3	9.8
	Usually	15	33.3	36.6	46.3
	Always	22	48.9	53.7	100.0
	Total	41	91.1	100.0	
Missing	900	4	8.9		
Total		45	100.0		

Q18 Funding on project-by-project basis

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	2	4.4	4.9	4.9
	Sometimes	5	11.1	12.2	17.1
	Usually	11	24.4	26.8	43.9
	Always	23	51.1	56.1	100.0
	Total	41	91.1	100.0	
Missing	900	4	8.9		
Total		45	100.0		

Q19 Predictability and reliability of funding during implementation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	2	4.4	4.9	4.9
	Sometimes	1	2.2	2.4	7.3
	Usually	17	37.8	41.5	48.8
	Always	21	46.7	51.2	100.0
	Total	41	91.1	100.0	
Missing	900	4	8.9		
Total		45	100.0		

Q20 Funds disbursement within a month of proposal approval

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	2	4.4	5.1	5.1
	Sometimes	11	24.4	28.2	33.3
	Usually	19	42.2	48.7	82.1
	Always	7	15.6	17.9	100.0
	Total	39	86.7	100.0	
Missing	900	6	13.3		
Total		45	100.0		

Q21 Financial and narrative reporting at least twice a year

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	2	4.4	4.9	4.9
	Sometimes	4	8.9	9.8	14.6
	Usually	11	24.4	26.8	41.5
	Always	24	53.3	58.5	100.0
	Total	41	91.1	100.0	
Missing	900	4	8.9		
Total		45	100.0		

Q22 Conducts policy evaluations to determine their appropriateness

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	2	4.4	4.7	4.7
	Sometimes	14	31.1	32.6	37.2
	Usually	13	28.9	30.2	67.4
	Always	14	31.1	32.6	100.0
	Total	43	95.6	100.0	
Missing	900	2	4.4		
Total		45	100.0		

Q23 Has developed guidelines for project evaluations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	3	6.7	7.0	7.0
	Sometimes	9	20.0	20.9	27.9
	Usually	16	35.6	37.2	65.1
	Always	15	33.3	34.9	100.0
	Total	43	95.6	100.0	
Missing	900	2	4.4		
Total		45	100.0		

Q24 Has documented strategic plans

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	7	15.6	16.3	16.3
	Sometimes	10	22.2	23.3	39.6
	Usually	8	17.8	18.6	58.2
	Always	18	40.0	41.8	100.0
	Total	43	95.6	100.0	
Missing	900	2	4.4		
Total		45	100.0		

Q25 Conducts performance audits

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	16	35.6	37.2	37.2
	Sometimes	7	15.6	16.3	53.5
	Usually	11	24.4	25.6	79.1
	Always	9	20.0	20.9	100.0
	Total	43	95.6	100.0	
Missing	900	2	4.4		
Total		45	100.0		

Q26 Works with overseas governments

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	6	13.3	14.3	14.3
	Sometimes	20	44.4	47.6	61.9
	Usually	12	26.7	28.6	90.5
	Always	4	8.9	9.5	100.0
	Total	42	93.3	100.0	
Missing	900	3	6.7		
Total		45	100.0		

Q27 Involved in capacity building of partner agencies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Sometimes	3	6.7	7.3	7.3
	Usually	19	42.2	46.3	53.7
	Always	19	42.2	46.3	100.0
	Total	41	91.1	100.0	
Missing	900	4	8.9		
Total		45	100.0		

Q28 Ensures recipients are able to take over recurrent project costs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	2	4.4	4.9	4.9
	Sometimes	15	33.3	36.6	41.5
	Usually	20	44.4	48.8	90.2
	Always	4	8.9	9.8	100.0
	Total	41	91.1	100.0	
Missing	900	4	8.9		
Total		45	100.0		

Q29 Activities promote gender equity

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	1	2.2	2.4	2.4
	Sometimes	5	11.1	11.9	14.3
	Usually	14	31.1	33.3	47.6
	Always	22	48.9	52.4	100.0
	Total	42	93.3	100.0	
Missing	900	3	6.7		
Total		45	100.0		

Q30 Projects use locally available technology and equipment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Sometimes	2	4.4	4.8	4.8
	Usually	24	53.3	57.1	61.9
	Always	16	35.6	38.1	100.0
	Total	42	93.3	100.0	
Missing	900	3	6.7		
Total		45	100.0		

Q31 External factors taken into consideration in project design

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Sometimes	6	13.3	14.3	14.3
	Usually	10	22.2	23.8	38.1
	Always	26	57.8	61.9	100.0
	Total	42	93.3	100.0	
Missing	900	3	6.7		
Total		45	100.0		

Q32 Development clients receive necessary training

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Sometimes	6	13.3	14.3	14.3
	Usually	14	31.1	33.3	47.6
	Always	22	48.9	52.4	100.0
	Total	42	93.3	100.0	
Missing	900	3	6.7		
Total		45	100.0		

Q33 Level of AusAID accreditation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Base	14	31.1	33.3	33.3
	Full	16	35.6	38.1	71.4
	None	12	26.7	28.6	100.0
	Total	42	93.3	100.0	
Missing	900	3	6.7		
Total		45	100.0		

Q34 Average annual budget (\$A)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 50,000	2	4.4	4.4	4.4
	50,001-100,000	5	11.1	11.1	15.6
	100,001-250,000	4	8.9	8.9	24.4
	250,001-500,000	5	11.1	11.1	35.6
	500,001-1,000,000	6	13.3	13.3	48.9
	Over 1,000,000	23	51.1	51.1	100.0
	Total	45	100.0	100.0	

Q35 Percentage of income from following sources**Q35.1 Individual gifts and donations**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-5%	7	15.6	15.9	15.9
	6-10%	5	11.1	11.4	27.3
	11-20%	5	11.1	11.4	38.6
	21-30%	1	2.2	2.3	40.9
	31-50%	5	11.1	11.4	52.3
	51-75%	11	24.4	25.0	77.3
	Over 75%	10	22.2	22.7	100.0
	Total	44	97.8	100.0	
Missing	900	1	2.2		
Total		45	100.0		

Q35.2 Government (AusAID) grants

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	None	7	15.6	15.9	15.9
	1-5%	5	11.1	11.4	27.3
	6-10%	3	6.7	6.8	34.1
	11-20%	5	11.1	11.4	45.5
	21-30%	4	8.9	9.1	54.5
	31-50%	11	24.4	25.0	79.5
	51-75%	5	11.1	11.4	90.9
	Over 75%	4	8.9	9.1	100.0
	Total	44	97.8	100.0	
Missing	900	1	2.2		
Total		45	100.0		

Q35.3 Bequests and legacies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	None	19	42.2	43.2	43.2
	1-5%	17	37.8	38.6	81.8
	6-10%	3	6.7	6.8	88.6
	11-20%	3	6.7	6.8	95.5
	21-30%	2	4.4	4.5	100.0
	Total	44	97.8	100.0	
	Missing	900	1	2.2	
Total		45	100.0		

Q35.4 Overseas agencies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	None	22	48.9	50.0	50.0
	1-5%	13	28.9	29.5	79.5
	6-10%	1	2.2	2.3	81.8
	11-20%	3	6.7	6.8	88.6
	21-30%	1	2.2	2.3	90.9
	31-50%	1	2.2	2.3	93.2
	51-75%	1	2.2	2.3	95.5
	Over 75%	2	4.4	4.5	100.0
	Total	44	97.8	100.0	
Missing	900	1	2.2		
Total		45	100.0		

Q35.5 Corporations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	None	23	51.1	52.3	52.3
	1-5%	12	26.7	27.3	79.5
	6-10%	4	8.9	9.1	88.6
	11-20%	2	4.4	4.5	93.2
	21-30%	1	2.2	2.3	95.5
	31-50%	1	2.2	2.3	97.7
	51-75%	1	2.2	2.3	100.0
	Total	44	97.8	100.0	
Missing	900	1	2.2		
Total		45	100.0		

Q35.6 Investments

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	None	20	44.4	45.5	45.5
	1-5%	18	40.0	40.9	86.4
	6-10%	5	11.1	11.4	97.7
	31-50%	1	2.2	2.3	100.0
	Total	44	97.8	100.0	
Missing	900	1	2.2		
Total		45	100.0		

Q36 Percentage expenditure on the following items**Q36.1 Overseas projects**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	None	3	6.7	7.0	7.0
	1-5%	2	4.4	4.7	11.6
	6-10%	1	2.2	2.3	14.0
	11-20%	2	4.4	4.7	18.6
	21-30%	1	2.2	2.3	20.9
	31-50%	1	2.2	2.3	23.3
	51-75%	10	22.2	23.3	46.5
	Over 75%	23	51.1	53.5	100.0
	Total	43	95.6	100.0	
Missing	900	2	4.4		
Total		45	100.0		

Q36.2 Projects in Australia

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	None	17	37.8	39.5	39.5
	1-5%	10	22.2	23.3	62.8
	6-10%	3	6.7	7.0	69.8
	11-20%	4	8.9	9.3	79.1
	21-30%	2	4.4	4.7	83.7
	31-50%	4	8.9	9.3	93.0
	51-75%	1	2.2	2.3	95.3
	Over 75%	2	4.4	4.7	100.0
	Total	43	95.6	100.0	
Missing	900	2	4.4		
Total		45	100.0		

Q36.3 Fundraising

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	None	13	28.9	30.2	30.2
	1-5%	15	33.3	34.9	65.1
	6-10%	11	24.4	25.6	90.7
	11-20%	4	8.9	9.3	100.0
	Total	43	95.6	100.0	
Missing	900	2	4.4		
Total		45	100.0		

Q36.4 Development education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	None	12	26.7	27.9	27.9
	1-5%	17	37.8	39.5	67.4
	6-10%	7	15.6	16.3	83.7
	11-20%	4	8.9	9.3	93.0
	31-50%	2	4.4	4.7	97.7
	Over 75%	1	2.2	2.3	100.0
	Total	43	95.6	100.0	
Missing	900	2	4.4		
Total		45	100.0		

Q36.5 Administration

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	None	2	4.4	4.7	4.7
	1-5%	12	26.7	27.9	32.6
	6-10%	17	37.8	39.5	72.1
	11-20%	6	13.3	14.0	86.0
	21-30%	3	6.7	7.0	93.0
	31-50%	2	4.4	4.7	97.7
	51-75%	1	2.2	2.3	100.0
	Total	43	95.6	100.0	
Missing	900	2	4.4		
Total		45	100.0		

Q36.6 Staff development

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	None	16	35.6	37.2	37.2
	1-5%	23	51.1	53.5	90.7
	6-10%	3	6.7	7.0	97.7
	11-20%	1	2.2	2.3	100.0
	Total	43	95.6	100.0	
Missing	900	2	4.4		
Total		45	100.0		

Q37 How to raise more funds**Q37.1 Extending existing strategies to new givers**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	35	77.8	81.4	81.4
	No	8	17.8	18.6	100.0

	Total	43	95.6	100.0
Missing	900	2	4.4	
Total		45	100.0	

Q37.2 Developing new strategies for existing givers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	31	68.9	72.1	72.1
	No	12	26.7	27.9	100.0
	Total	43	95.6	100.0	
Missing	900	2	4.4		
Total		45	100.0		

Q37.3 Establishing a fundraising department

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	5	11.1	11.6	11.6
	No	38	84.4	88.4	100.0
	Total	43	95.6	100.0	
Missing	900	2	4.4		
Total		45	100.0		

Q37.4 Advertising through the media

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	13	28.9	30.2	30.2
	No	30	66.7	69.8	100.0
	Total	43	95.6	100.0	
Missing	900	2	4.4		
Total		45	100.0		

Q37.5 Developing strategies to capture more AusAID funds

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	14	31.1	32.6	32.6
	No	29	64.4	67.4	100.0
	Total	43	95.6	100.0	
Missing	900	2	4.4		
Total		45	100.0		

Challenges in the sector/Constraints to effective Service Delivery**Q38 Increasing funding base**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Sometimes	4	8.9	9.3	9.3
	Usually	12	26.7	27.9	37.2
	Always	27	60.0	62.8	100.0
	Total	43	95.6	100.0	
Missing	900	2	4.4		
Total		45	100.0		

Q39 Having adequate trained personnel

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	5	11.1	11.6	11.6
	Sometimes	15	33.3	34.9	46.5
	Usually	11	24.4	25.6	72.1
	Always	12	26.7	27.9	100.0
	Total	43	95.6	100.0	
Missing	900	2	4.4		
Total		45	100.0		

Q40 Lack of appropriate technology/equipment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	18	40.0	41.9	41.9
	Sometimes	19	42.2	44.2	86.0
	Usually	6	13.3	14.0	100.0
	Total	43	95.6	100.0	
Missing	900	2	4.4		
Total		45	100.0		

Q41 Changing government policies – AusAID funding

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	6	13.3	14.3	14.3
	Sometimes	24	53.3	57.1	71.4
	Usually	9	20.0	21.4	92.9
	Always	3	6.7	7.1	100.0
	Total	42	93.3	100.0	
Missing	900	3	6.7		
Total		45	100.0		

Q42 Collaboration with other agencies doing similar work

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	9	20.0	21.4	21.4
	Sometimes	25	55.6	59.5	81.0
	Usually	5	11.1	11.9	92.9
	Always	3	6.7	7.1	100.0
	Total	42	93.3	100.0	
Missing	900	3	6.7		
Total		45	100.0		

Q43 Partners lack appropriate governance and management structures

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	4	8.9	9.8	9.8
	Sometimes	31	68.9	75.6	85.4
	Usually	4	8.9	9.8	95.1
	Always	2	4.4	4.9	100.0
	Total	41	91.1	100.0	
Missing	900	4	8.9		
Total		45	100.0		

Q44 Addressing conflicting interests of stakeholders

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	22	48.9	52.4	52.4
	Sometimes	15	33.3	35.7	88.1
	Usually	5	11.1	11.9	100.0
	Total	42	93.3	100.0	
Missing	900	3	6.7		
Total		45	100.0		

Q45 Political unrest in target countries

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	5	11.1	11.9	11.9
	Sometimes	30	66.7	71.4	83.3
	Usually	4	8.9	9.5	92.9
	Always	3	6.7	7.1	100.0
	Total	42	93.3	100.0	
Missing	900	3	6.7		
Total		45	100.0		

Q46 Economic recession in target countries

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	5	11.1	11.9	11.9
	Sometimes	26	57.8	61.9	73.8
	Usually	8	17.8	19.0	92.9
	Always	3	6.7	7.1	100.0
	Total	42	93.3	100.0	
Missing	900	3	6.7		
Total		45	100.0		

Q47 Natural disasters in target countries

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	8	17.8	19.0	19.0
	Sometimes	25	55.6	59.5	78.6
	Usually	6	13.3	14.3	92.9
	Always	3	6.7	7.1	100.0
	Total	42	93.3	100.0	
Missing	900	3	6.7		
Total		45	100.0		

Q48 Recipients slow in project implementation and reporting

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	7	15.6	17.1	17.1
	Sometimes	27	60.0	65.9	82.9
	Usually	6	13.3	14.6	97.6
	Always	1	2.2	2.4	100.0
	Total	41	91.1	100.0	
Missing	900	4	8.9		
Total		45	100.0		

Q49 Impact of globalisation on poor communities

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	7	15.6	17.1	17.1
	Sometimes	19	42.2	46.3	63.4
	Usually	12	26.7	29.3	92.7
	Always	3	6.7	7.3	100.0
	Total	41	91.1	100.0	
Missing	900	4	8.9		
Total		45	100.0		