

Organization Development and Change in 21st Century
Prof. Ashish Pandey
Shailesh J. Mehta School of Management
Indian Institute of Technology, Bombay

Lecture – 34
Organizational Development in the Not for Profit Organizations (NPOs) and Social Enterprises (SEs)


This part of the session is about OD or Organization Development in Not for Profit Organizations and Social Enterprises. Do you remember we discussed about the social enterprises in session 2 of this course?

(Refer Slide Time: 00:31)

Position of Social Enterprise in the Economy

	Mainstream business	Socially responsible business	Social enterprise	Public services	Voluntarism
Inputs, finance and resources	Financial and commodity markets	Financial and commodity markets	Ethical investment and fair trade sources	Tax and borrowing, public employment	Donations, charity, giving
Processes and work	Value chain, lean production, just-in-time	Greater attention to supply chain management for ethical and environmental issues	Heavily biased towards social inclusion and environmental objectives	Public service value chains combined with contracting out	Volunteering into social projects
Outputs, consumer markets	Consumer markets selling on price, quality and brand	Some green and fair trade branding	Green, fair trade and social inclusion central to brands	Access to public services, politically determined nontraded, limited co. payment	Gift, given away, no charge
Social value claim	Business generates jobs and profits, pays taxes	Business meeting social goals builds a better business	Social goals are primary	provides nonmarket Public goods at scale	Giving culture

Session 2: Flashback



So, this is like a flashback on social enterprises. And you might remember this table we used to distinguish the social enterprises from mainstream business organizations or CSR or voluntary organizations or not for profit organizations and public services.

If you focus on the social enterprises, you might recall that we talked about its special feature that is the ethical investment and fair-trade practices heavily biased towards social inclusion or environmental objectives. Social enterprises work on the green, fair trade, social inclusion; these are the central aspects of its brands and social goals are primary for these organizations.

And not for profit organizations, they primarily run on donations, charity or giving by other actors in the society. A lot of NPOs work on volunteering for specific social projects and the giving culture is most important social value claim they have.

We are going to look at how the concepts of OD are applicable, and how they become different in comparison to the commercial organizations, how they become different in the social enterprises, and NPOs or Not for Profit Organizations.

(Refer Slide Time: 02:02)



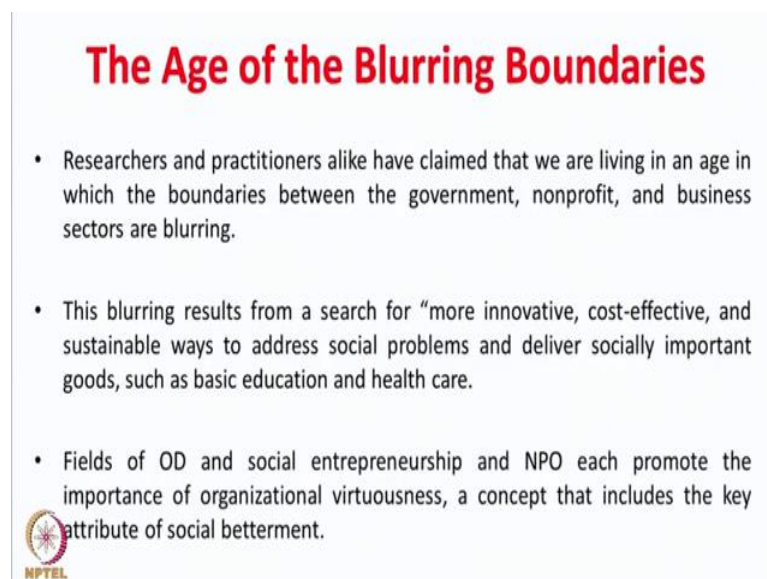
Key References

- Glover, Y. D. (2012). Organization development and social entrepreneurship: Do well by doing good. *American Journal of Management*, 12(2/3), 117-122.
- Lecy, J. D., Schmitz, H. P., & Swedlund, H. (2012). Non-governmental and not-for-profit organizational effectiveness: A modern synthesis. *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, 23(2), 434-457.
- Hinrichs, G., & Richardson, C. (2015). *Large Scale Change For NonProfits: A Playbook For Social Sector Capacity Building*. IAP.




These are the key references we are going to use for this part of the session.

(Refer Slide Time: 02:09)



The Age of the Blurring Boundaries

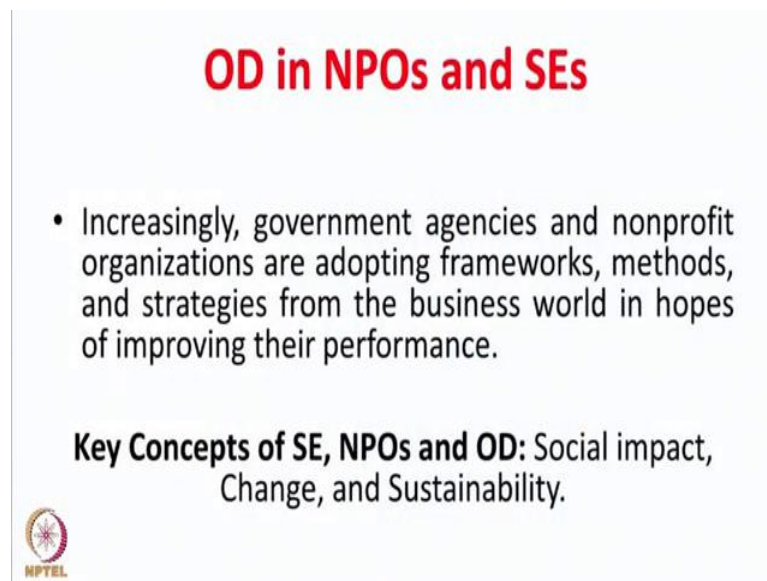
- Researchers and practitioners alike have claimed that we are living in an age in which the boundaries between the government, nonprofit, and business sectors are blurring.
- This blurring results from a search for “more innovative, cost-effective, and sustainable ways to address social problems and deliver socially important goods, such as basic education and health care.
- Fields of OD and social entrepreneurship and NPO each promote the importance of organizational virtuousness, a concept that includes the key attribute of social betterment.



If we look at the current times, we see a very important trend, and that trend is that we are living in the age where the boundaries of government, nonprofit, and business sectors are blurring. Blurring in terms of what? They are blurring in terms of their orientation towards more cost-effective, and sustainable ways of doing things. They all are supposed to be more innovative, and are expected to address the social problems that deliver socially important goods, such as basic education and healthcare etcetera

If we look at NPOs and SEs closely, we see that they share a very important objective with OD. They all promote the importance of organizational virtuousness. Organizational virtuousness is a concept that includes the key attributes of social betterment. So, in terms of the inclination towards organizational virtuousness, NPOs, SEs share commonalities with the enterprise of OD.


(Refer Slide Time: 03:41)



OD in NPOs and SEs

- Increasingly, government agencies and nonprofit organizations are adopting frameworks, methods, and strategies from the business world in hopes of improving their performance.

Key Concepts of SE, NPOs and OD: Social impact, Change, and Sustainability.



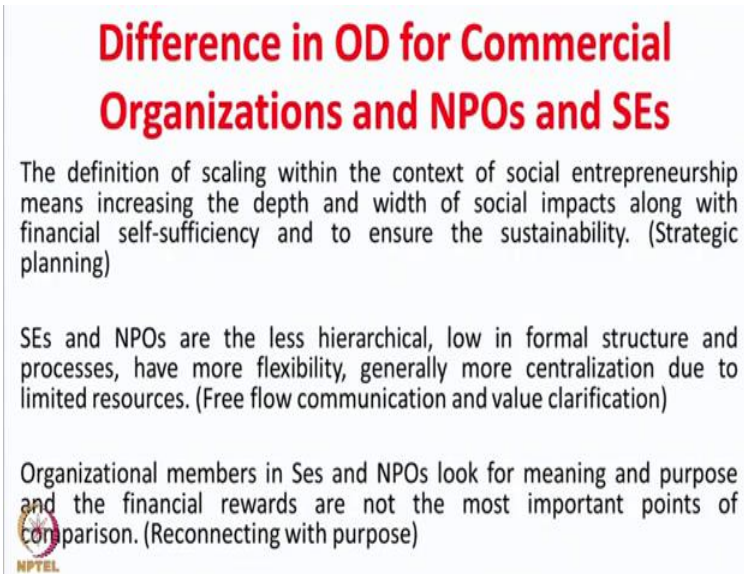
We also see a trend these days, that government agencies and nonprofit organizations as well as SEs they are adopting frameworks, methods, and strategies from business world in hopes of improving their performance. Business world has been successful in terms of making their processes efficient, more objective-oriented, more value adding in terms of the economic value add, application of the notions and concepts of economy of scale and economy of scope, etcetera.

Many of these concepts are relevant and they can be relevant for SEs and NPOs as well as well as for the government organizations. So, that is why we see the practices and processes generally developed in the for-profit organization.

And, the techniques and approaches of OD we discussed in this course were actually developed in for-profit organizations or commercial organizations, many of those things are applicable in the SEs and NPOs as well. And there is a greater recognition and SEs and NPOs to use those concepts and approaches.

The few concepts of SEs, NPOs and OD which are common are social impact, they all work for greater change, and they all embrace the value for sustainability or sustainable development. So, in this context, we need to look at how the OD processes and techniques are applicable in the field of NPOs and SEs. Having said that we also need to recognize that there is a difference between OD in commercial organizations or for-profit organizations, and not for profit organizations or social enterprises.

(Refer Slide Time: 05:44)



Difference in OD for Commercial Organizations and NPOs and SEs

- The definition of scaling within the context of social entrepreneurship means increasing the depth and width of social impacts along with financial self-sufficiency and to ensure the sustainability. (Strategic planning)
- SEs and NPOs are the less hierarchical, low in formal structure and processes, have more flexibility, generally more centralization due to limited resources. (Free flow communication and value clarification)
- Organizational members in SEs and NPOs look for meaning and purpose and the financial rewards are not the most important points of comparison. (Reconnecting with purpose)

NPTEL

The first difference is in the definition of scaling itself. Scaling in commercial organization is about selling products to, services to more number of people, or increasing the number of uses of the products or services. Whereas, scaling in the context of SEs and NPOs are about increasing the depth and width of the social impact along with the financial sufficiency to ensure the sustainability.

Since the very objective is different, we need to recognize that how we do the central planning and approach towards realizing the long-term objective will be different in SEs, NPOs and that of commercial organizations. So, strategic planning process will be done with the different perspective, with different objectives in commercial organizations and SEs, and NPOs.

Secondly, SEs and NPOs are generally less hierarchical in comparison to their commercial organization counterparts. They are also low in formal structure and processes. Generally, we see less of documentation and regimentation of the processes in SEs and NPOs. They are likely to be more flexible and generally more centralized due to limited resources. We also see one common feature in SEs and NPOs i.e. presence of a charismatic leader.

In large number of NPOs and SEs, we see a leader who is generally the founder or the most important leader in those organizations, and his or her charisma and commitment is such that it drives the processes and systems, and it inspires people to join that organization.

And people work in those organizations under the positive influence of this leader. So, naturally the processes and systems become little more centralized in SEs and NPOs in comparison to commercial organizations. So we need to consider this while applying the OD processes and approaches and techniques in these organizations.

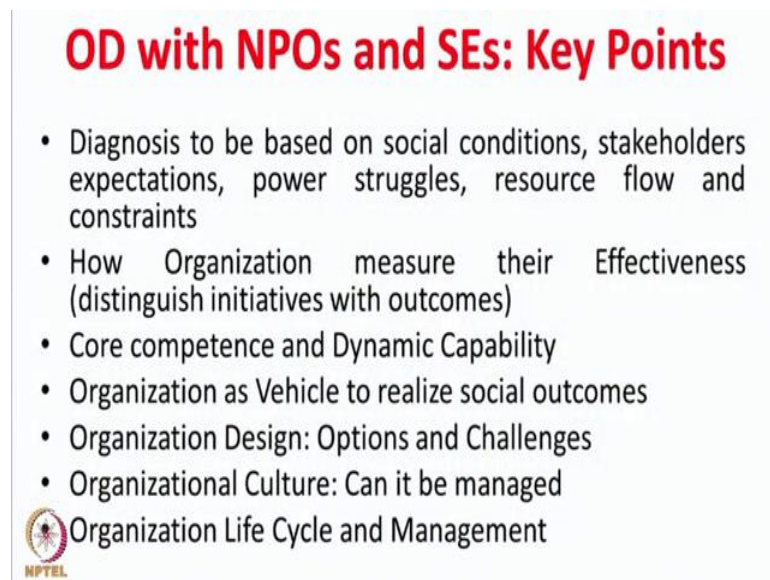
Naturally because of these features, the OD interventions can focus on enhancing the free flow of communication and value clarification. They can be very important OD interventions in not for profit organizations or non industrial sector.

Reconnecting with the purpose can also be a very important OD intervention in SEs and NPOs. Why? Because organization members in SEs and NPOs primarily join the organization for their pursuit towards meaning and purpose in their work.

And financial rewards are not the most important points of comparison for their career choices when they join SEs or NPOs. So, that also needs to be taken into account and because of this feature reconnecting with the purpose of the organization is a very important OD intervention for these kinds of organizations.


Having said that we also need to recognize that many concepts of OD which are applicable in the commercial organizations can be useful in SEs and NPOs. Now, we will look at the different steps in the OD process and how they are similar or different in SEs and NPOs in comparison to commercial organizations.

(Refer Slide Time: 10:16)



OD with NPOs and SEs: Key Points

- Diagnosis to be based on social conditions, stakeholders expectations, power struggles, resource flow and constraints
- How Organization measure their Effectiveness (distinguish initiatives with outcomes)
- Core competence and Dynamic Capability
- Organization as Vehicle to realize social outcomes
- Organization Design: Options and Challenges
- Organizational Culture: Can it be managed

 Organization Life Cycle and Management

First point of our OD engagement or OD process is diagnosis. You might remember that in diagnosis we do PESTEL analysis for the commercial organizations, but major input in the diagnostic model for a commercial organization is the industry or market it is operating in. Whereas, the major input for NPOs and SEs is the society or community within which they operate.

So, we need to take into consideration to greater depth the stakeholders' expectations. What are the power struggles of the different stakeholders, how is the resource flow and constraints in the society or community to carry out the work by SEs and NPOs. So, those factors become very important in the diagnosis process of these organizations.

Another important point which is similar and different in SEs and NPOs in comparison to the commercial organizations is about how do we assess the effectiveness of those organizations. We know that effectiveness of the organizations in commercial organizations, we look at in terms of process efficiency, cost saving, or productivity, profitability, market share, etcetera.

In SEs and NPOs, there is a need to specifically identify what are the measures for effectiveness. It can be the spread of their social impact, it can be the depth of difference they make to the stakeholders, or the constituencies they work with, or it can be the environmental impact and so on and so forth. So, the effectiveness and variety of effectiveness will be huge when we look at SEs and NPOs and that needs to be taken care of when we design the OD intervention for them.

There are a few things which as a concept can be very useful and those concepts were primarily developed in the commercial organizations, but they can be very useful for the SEs and NPOs. These are core competencies and the dynamic capability.

Society is changing, technology is changing and there are many other change factors which we discussed in the very first session of this course. So, SEs also need to build their dynamic capabilities, they also need to keep enhancing, keep changing the competencies and their capabilities on which they operate.

Organization design the factors related to organization design are also very important for SEs and NPOs as they are important for the commercial organizations. SEs and NPOs also need to look at the different aspects, different options and possibilities of designing their organizations. You might remember we looked at many conventional and non-conventional organization designs in the previous session. We talked about divisional structure, product-based structure, function-based structure, matrix organization structure.

We also looked at some innovative structures like team-based structure, or a virtual organization-based structure, or boundary-less organization structure or team. So, these are the different kinds of organization designs available with the advent of technology and increasing globalization.

There is a possibility emerging for SEs and NPOs to try out the innovative organization structures which can be either of the above mentioned or they can be a mix and match or combination of these structures, so that as a concept are still relevant for SEs and NPOs. And they need to think creatively about how they choose the organization design because ultimately organization design is a vehicle to deliver their objectives.

So, what might be the most suitable vehicle to deliver the social or environmental well-being related objectives that can be thought through by SEs and that knowledge of OD can

be equally applicable in the SEs and NPOs as it is proved to be very useful in the commercial organizations.

Organization culture is very important in the commercial organization, so it is very important in SEs and NPOs. Organization culture, you might remember we discussed in the previous session is about the way things are done. It is about shared values, beliefs, assumptions, heroes, rituals, artifacts. These shared aspects of the organization are reflected in the organization culture that is a very important energy giving factor for organizational actors to pursue the valued organizational goals. So, the culture is very important for SEs and NPOs as well.

Managing the culture, developing right kind of culture where people enjoy working and they offer their full potential, and they also develop their potential to realize their valued goals. So, the notion of organization culture is equally relevant, and perhaps more relevant and more important in SEs and NPOs in comparison to commercial organizations.

SEs and NPOs like commercial organizations also need to take care of their organizational life. And how do they manage their organizational life cycle, and what are the different management techniques they need to apply to keep them effective, to keep them growing and keep them on the path of delivering their socially valued objectives and goals.

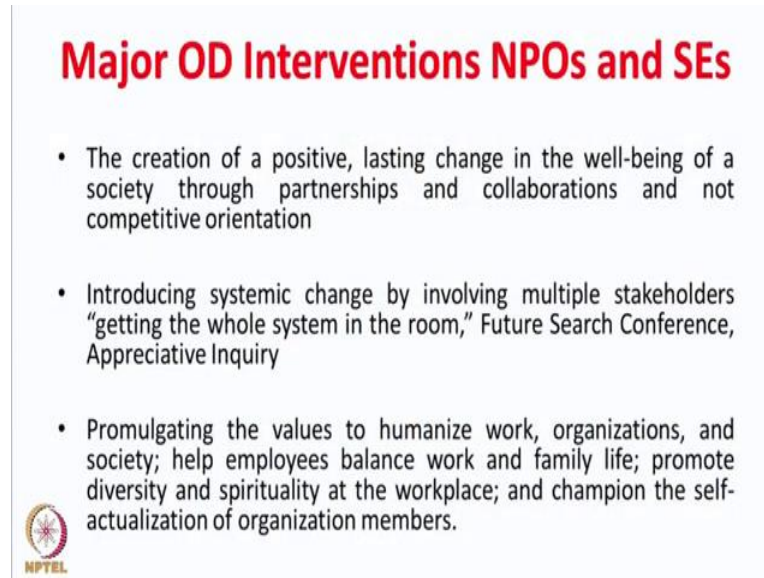
We discussed that different organizations go through different stages of life cycle. There is an initiation, there is a growth phase, there is a decline phase. And there are different strategies required to be implemented at the different stages of the organizational life cycle. Some of those things are relevant in SEs and NPOs as well.

For example, in the initiation phase, organization has to set up systems and processes; without that they will find it very difficult to manage the growth if it comes their way; that principle is equally applicable in SEs and NPOs. When an organization reaches to certain level of operation where it is required to bring more professionally trained manpower and managers, that factor is equally applicable in SEs and NPOs. They also need to hire some people who might not be the founding members, who are professionally trained to handle the growth of their operations, growth of their activities.

And like in the commercial organization, they have to launch new services, new products. They have to create new story, they need to engage with their stakeholders differently


when they see a decline in their activities. So, this principle about managing organizational cycle, managing along with the organizational cycle is equally applicable in commercial organizations as well as SEs and NPOs.

(Refer Slide Time: 18:18)



Major OD Interventions NPOs and SEs

- The creation of a positive, lasting change in the well-being of a society through partnerships and collaborations and not competitive orientation
- Introducing systemic change by involving multiple stakeholders “getting the whole system in the room,” Future Search Conference, Appreciative Inquiry
- Promulgating the values to humanize work, organizations, and society; help employees balance work and family life; promote diversity and spirituality at the workplace; and champion the self-actualization of organization members.



Some of the major OD interventions in NPOs and SEs can be as follows. First is creation of positive, lasting change in the well-being of the society through partnerships and collaborations and not competitive orientation. SEs and NPOs do not have to win competition generally, because they are towards enhancing the well-being of the society, they are chasing the social goals.

And particularly in country like India there is no limit to realize the social goals. It means there is a lot to be done in our society in terms of education, healthcare, general well-being and so many human quality related goals. So, there is no point in operating from the competitive perspective, but SEs and NPOs need to develop their competencies and that is a very important area for competency development, and the OD interventions can be geared up towards developing those capabilities.

And, forging partnerships and collaboration can be with other NGOs and with commercial organizations because CSR is a very important aspect. And most of the big corporations carry out their CSR activities through their foundations, and generally those foundation take forward the work of CSR in collaboration with various NGOs.

So, there is a great scope to collaborate with these foundations. And in those collaborations SEs and NPOs not only get resources, but they can also get the management expertise, they can also get the orientation towards technical prowess, they can look at the different ways of organization design. Many management related aspects which we discussed, they can have a practical exposure to those. So, forging collaboration and partnerships is a very important OD intervention for SEs and NPOs.

Next intervention is related to introducing systemic changes. And introducing those changes by involving multiple stakeholders. What Weisbord says by getting the whole system in the room is having stakeholders from different constituencies and having as many stakeholders as possible being represented in the process of dialogue. That is a very important intervention for the SEs and NPOs, because anyway they have to operate within the society or community where there are multiple stakeholders.

And their perspective is very important and becomes crucial to help the SEs and NPOs to realize the social goals. So, getting the whole system in the room is that principle which is applied in many OD interventions like future search conferences, and appreciative inquiry. These OD interventions can be equally valuable in SEs and NPOs.

Third intervention which is more at the individual level is about promulgating the values to humanize the work. We know that SEs and NPOs do not give financial incentives to their members which can be comparable to commercial organizations, nonetheless creating a very positive culture is equally important or perhaps more important in these kinds of organizations.

So, they need to have OD interventions which are aimed at humanizing the workplace, organizations and society. They need to have the orientation to enhance employees' ability to balance work and life, they need to work on promoting diversity, or sometimes even enhancing spirituality at workplace. They need to champion the self-actualization of the organizational members. And for that they need to choose appropriate OD interventions.

So, here we see that there is a commonality, and there is a difference in the objectives of non-commercial organizations in terms of the OD interventions. They operate sometime with different objectives, and they need a specific type of OD intervention or the OD intervention need to be informed by the special situations or the culture they operate in.

So, those things have to be taken care of while doing the OD intervention in SEs and NPOs or even the healthcare organizations, which we discussed in the earlier part of the session.

Having said that, there is a lot which healthcare organizations, social enterprises, and non-government organizations, or non-profit organizations can learn from, i.e., the OD interventions, and approaches developed in the commercial organizations. So, here we end the last session of this course on OD interventions in the non-industrial sectors.

Thank you.