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Organisational Decline and Renewal in an Australian Voluntary Association

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ORGANISATIONAL DECLINE AND RENEWAL IN AN AUSTRALIAN VOLUNTARY ASSOCIATION

Abstract

Voluntary associations are an integral form of social capital in democratic societies. These associations make vital contributions to community life. Many associations are successful in meeting the needs of their constituency and thrive over many decades. These long serving associations are not static vehicles, like all organisations, they are subject to internal and external pressures for change. It is a significant challenge for volunteer associations to maintain ‘a watch’ on the external environment whilst responding to the needs of their stakeholders. Previously vibrant associations may experience a decline in membership and social standing as a result of significant changes in society and technology. We track a nonprofit voluntary association from its inception in the 1960s through it responses to major environmental turbulence during the late 1980s, 1990s, and early 2000s when the survival of the organisation was in doubt. We outline the changes that took place from 2003 that reorientated, revitalised and reshaped the association including a major shift in focus from services to members to services to the community. This study provides academics and practitioners with an appreciation of the forces of organisational decline and a case study of successful change in a voluntary association.

Keywords: organisational change, institutional theory, community, case study
This paper tracks the development, decline and successful transformation of a nonprofit voluntary association over a 40-year period. The organisation was built on a network of volunteers, mainly young women at home with young children. Socio-economic and technical changes such as increases in female participation in the workforce resulted in fewer young mothers having the time to volunteer. The organisation did not understand the external forces for change and the association came close to extinction despite its excellent contribution to social welfare services to families over many decades. New leadership, that was able to act ‘without fear or favour’, retained the focus on maternal/child welfare but chose a completely new path for advocacy and support. The paper provides an interesting study of organisational transformation that we believe will assist nonprofits to deal with or avoid decline and ensure organisational longevity and relevance. We commence with a discussion of organisational decline using institutional theory and include a model of organisational transformation and revitalisation. The case study follows. One of the key findings of the paper is that successful organisation change in not-for-profit organisations is complex and requires extensive analysis of the relationship of the organisation with the external environment.

**Decline in Institutions**

Many organisation studies look at the creation and growth of organisations (Whetten, 1987); fewer studies have addressed organisations in a state of decline (Scott, 2001). Whetten (1987, p.577) remarks that “organisational decline, thought an important and ultimately unavoidable concern of organisations, has received little research attention”. More recent literature has also called for increased study of organisational decline (Dacin et al., 2002, p.45) as there is still little known about the causes, responses to, and effects of decline on organisations (Whetten, 1987). This paper applies a model of organisational decline. Our aim is to provide a clearer, more detailed assessment of the status of the organisation, and provide tools for those struggling to survive. One model is derived from research into institutions.
Institutions are a type of organisation with particular characteristics. An organisation that has institutionalized is:

less rational, less formal, and less single-mindedly goal directed. Calling organisations ‘institutions’ means that they are "not simply black boxes that produce goods and services but human organisations driven by emotion and traditions. Dacin et al (2002, p.46)

We assert that many nonprofit associations are built on emotions and traditions. The organisation that is the focus of this case study is one such association that is highly valued by mothers with infants.

Nonprofit, voluntary organisations need to be alert to their institutional status, as these organisations must be seen as relevant in order to attract the necessary resources to fulfil their mission. Organisations with the status of institutions are often long lived, but this status must be protected or the organisation may well fail.

Oliver (1992) developed empirical predictors of how an institutional status may be eroded over time. The organisation “deinstitutionalizes” (Dacin et al., 2002). Oliver (1992) defines deinstitutionalization as ‘erosion or discontinuity of an institutionalised organisational activity or practice’. Her work allows organisations to analyse their internal and external environments in order to assess their present status Oliver (1992) identifies political, functional and social forces that are evident when an organisation begins to deinstitutionalize. Political pressures result mainly from changes to the power allocations pertinent to the survival of the organisation. Functional pressures are best related to broad environmental changes (Dacin et al., 2002). Social pressures may result from new practices or beliefs. Oliver’s (1992) model is useful because it predicts the approach of deinstitutionalization, but it is limited because it does not indicate how far an organisation is into the process. It is more useful when combined with another model, developed by Weitzel and Jonsson (1989,p.94). “Organisations enter the state of decline when they fail to anticipate, recognize, avoid, neutralize, or adapt to external or internal pressures that threaten the organisation’s long-term survival”. Weitzel and Johnsson
(1989) present a model of the stages and outline the possible organisation response at each stage.

**Organisational transformation**

While the consequences of decline are reversible in all stages, organisations caught in a downward spiral find it difficult to recognise the radical changes needed to prevent dissolution. Gebhardt, Carpenter, and Sherry (2006) suggest that service organisations such as voluntary associations, should consider the needs of their 'market'; the recipients of the service offered in introducing change. Gebhardt et al (2006) present a model of the process of developing a market orientation. Their model consists of four stages: Initiation, Reconstitution, Institutionalization, and Maintenance. Initiation — occurs when stakeholders become aware of a major threat to the organisation and who then develop a plan to avert the problem.

Reconstitution is the organisation wide implementation of the changes and involves the announcement of the changes to the 'market' in this case the wider community of stakeholders and members. Institutionalization is required as the organisation and its membership has undergone dramatic and fundamental change. The organisation may be suffering from the 'liability of newness' (Aldrich & Fiol 1994, p.645) and needs to confirm the new values and form of the organisation as a market focussed organisation. The organisation structure, including reward systems, needs to be aligned with the new focus. Changes in the culture of the organisation can be reinforced through symbolic artefacts, rites and formal training programs. Maintenance requires the organisation to protect its market orientation through the inevitable turnover of staff, volunteers, and stakeholders including sponsors. The challenge of the maintenance of the new organisation lies with the leadership. Rousseau and Fried (2001) emphasize the importance of studying organisations in context and recent institutional theory has called for studies of the entire organisation rather than isolated elements, practices and procedures as a means of understanding the 'organic' character of the organisation“ (Scott, 2001). We use the work of Oliver (1992) and Weitzel and Jonsson (1989; 1991) and Gebhardt et al (2006) to guide the study. Information about the organisation was gathered from its website, annual reports and interviews with ten past and present Management
Committee members and staff. It should be noted that one of the authors was a volunteer leader of the organisation in the 1970s and 1980s.

**Healthy Start**

Healthy Start (a pseudonym) exists to support women in the first years of their babies’ lives. It began in one part of Australia in the early 1960s and quickly spread throughout the country. In order to support mothers, Healthy Start was divided into local chapters. It developed governance and administrative systems, which, in particular, led to the training of leaders to run the small local chapters but also to provide telephone and face-to-face help to both members and non-members alike. In the mid 1980s Healthy Start’s membership peaked at over 25,000 financial members. By this time the organisation was recognised by a majority of new mothers in Australia, acknowledged by most relevant health professionals and supported by state and federal departments of health. The organisation had become an important part of the services offered to new mothers. Since its inception nearly 200,000 people have been financial members and thousands more have participated in the organisation’s activities.

While on most measures the organisation was successful, its membership has been in steady decline since 1990. We begin by using the two models of organisational decline, as suggested by Oliver (1992) & Weitzel & Jonsson (1991), in a discussion of Healthy Start’s actions from 1990 until 2003. The models are combined and summarised in Table 1.

**Stage One: Blinded**

Healthy Start certainly did not anticipate, when membership numbers began to decline in the late 1980s, that the organisation itself had begun to decline. At the time other problems were uppermost in the Management Committee’s mind. Membership subscriptions were the major source of funds; however government grants were also important. Conservative governments, at both state and federal level, changed policies to limit funding to membership organisations. As a result, Healthy Start put a great deal of effort into gaining charitable status as a method of increasing donations to provide another source of funding. “It was a great, unifying campaign for the organisation, and we thought it would solve all our problems,” the treasurer at the time said. At the same time, the pressure on the active volunteers, the chapter leaders, increased as
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many of these women returned to work as part of a general social trend. To lessen this pressure, structures were put in place to reduce the demands on trained leaders and make more use of ordinary volunteer members. However, these changes were seen as necessary adjustments to changing organisation-environment relations (Oliver, 1992) and there was no sense that the organisation's existence could be threatened. Weitzel and Jonsson (1989) suggest that in the first stage of organisational decline, organisations are blind to what is happening. This seems evident in this case with there being no internal and external monitoring systems capable of recognising real threats to survival. While the evidence of decline was apparent the organisation was busy responding to critical problems at the time and, to a large extent, ignored the long term. All action had been reactive and after the changes had been completed; there was a commitment from the Management Committee to concerned members to keep change to a minimum for some time.

**Stage Two: Inaction**

In 1990-93, Management Committee minutes indicate that many on the Committee at the time recognised that Healthy Start's future was threatened by changes in their external environment, but action was limited. While membership numbers were declining, chapter leader's numbers were increasing as a percentage of membership, and many remained active for long periods of time, and rejected attempts to change. As this group provided most of the voluntary work, and the Management Committee came from this group, annual reports at the time report confidence in the future. As well, longer-serving Committee members were exhausted by their efforts in the previous years, while new members had been elected on a commitment to trained leaders to keep change to a minimum. A Management Committee member at the time said “There had been so much going on and so much change over about five years that everyone just wanted it to stop”. The organisation began a period of inaction, or of only reacting when necessary, despite that fact that, applying Oliver’s (1992) predictors at this stage, a range of both intra-organisational factors and organisation-environment relations could be observed as impacting on the organisation.

*Intra-organisational factors*
Oliver's (1992) predictors of deinstitutionalization because of intra-organisational factors were becoming obvious, particularly changes in political distribution and in social consensus.

Changes in political distribution
Intra-organisational factors affecting Healthy Start include changes in political distribution, where declining membership numbers and income caused much conflict within the Management Committee, between Committee and staff and between chapter leaders/members and the Committee. Levine (1978) demonstrated that decline increases levels of conflict in organisations. As the greatest portion of operating funds had always come from membership subscriptions, the decline in membership numbers was a major problem for the organisation. It decided to cut back on administrative staff, reduce the issues of the organisation's magazine and reduce support services to its chapters. This, in turn, caused more conflict and challenges to Committee and staff.

Changes in social consensus
Increasingly, consensus within Healthy Start was reduced. In common with many nonprofit organisations, conflict between the Chief Executive Officer (CEO) and the Management Committee had always been a problem (Lyons, 2001). After a long-serving CEO left the organisation in 1995, this conflict intensified. The conflict led to constant turnover of the senior staff and committee members. From 1996 to 2003 Healthy Start had seven CEOs and committee members, who previously had more often than not served at least three years, began to serve shorter and shorter terms. One of the CEOs from this period reported that

It was almost impossible to achieve anything. The conflict between Committee members and between them and the staff was constant. It was so exhausting. I thought I was going to love the job, but I hated it and left on bad terms with almost everyone.

Organisation-Environment Relations
Oliver's (1992) predictors of deinstitutionalization because of organisation-environment relations were also becoming obvious: particularly competitive pressures, social environment pressures and changing government regulation.
Competitive Pressures

Competitive pressures were increasing in the early 1990s and this has continued to the present time. Government health departments in all Australian states and territories had increased their support to mothers in recognition of the public health benefits of such support. There had also been an increase in the number of nonprofit organisations catering for the needs of new mothers. As well, there were now many commercial companies providing activities for mothers and babies.

Social environment pressures

Social pressures were also impacting on the organisation's survival. Changes in family structures, and the rising number of working mothers, had lessened the usefulness of a mothers’ organisation. With the increasing numbers of mothers returning to work, either full-time or part-time, many children were placed in childcare, which was then subsidised by the federal government, making it more affordable and more acceptable. Many mothers no longer had the time, or the need, for the activities provided by the association.

Changing government regulations

Two changes in government regulation had a major impact on Healthy Start. Firstly, following a worldwide trend, the number of days a mother could remain in hospital after the birth of a baby was reduced. This meant many mother left hospital very quickly, often before they heard about Healthy Start and its activities. At the same time, to offset this, the locally based infant welfare clinics began groups for new mothers, which also reduced their need for an organisation such as Healthy Start. As Weitzel and Jonsson (1991) suggest, here decline had become noticeable, but because of its resistance to change, Healthy Start had no mechanisms, to allow for corrective action to be taken.

Stage Three: Faulty Action

However a series of events in the mid 1990s caused the organisation to take action, which it was hoped would ensure that it remained viable. By this time, many of Oliver's (1992) predictors of deinstitutionalization had become evident. These intra-organisational factors and organisation-environment relations are addressed in more detail.
Intra-organisation factors - Changes in functional necessity

In an attempt to adjust to the declining membership, a change occurred in the stated function of the association. Its main aim changed from providing support for mothers to that of the promotion of its services. This has meant a greater emphasis on working with health professionals and increasing the profile of the organisation. "We hoped to become a more professional organisation and therefore attract more government funding", the President at that time reported. However, this shift in focus led to conflict between the Committee and other stakeholders in the organisation, particularly the chapter leaders, and was not understood by the chapter leaders or grassroots members and did not halt the declining membership.

Organisation-Environment Relations: Changing societal values and social environment pressure

The organisation had changed its main stated aims, to the promotion of its activities, and then, in July 2001, changed its name, hoping that it could create a more modern image. "Our name was stuck in the sixties in another time and place. We hoped a name change would revive us", a past President said. While these changes have the approval of most of the membership, Weitzel and Jonsson (1989, p.94) suggest that this means it has acquired "liability of newness" and, like all new organisations, failure is statistically very likely. While the name and the objectives are different, the organisation's procedures and practices were still aimed at its earlier goal of mother support, through telephone assistance and the local chapter network.

In the late 1990s the organisation began to take action but, as suggested by Weitzel and Jonsson (1989; 1991), much of this action may be faulty. As Weitzel and Jonsson (1991) indicate, faulty decision-making and faulty implementation is common as organisations respond, belatedly, to decline.

Stage 4: Crisis

By the early 2000s Healthy Start had moved from the faulty action to crisis stage. Membership continued to decline, dropping below 10,000 members. Funding from all sources had declined and staff and Management Committee and CEO turnover increased. While chapter leaders were very committed to the values of the organisation, their time devoted to
organisational activities waned. Weitzel and Jonsson's (1989) model suggests that at this time Healthy Start had its last chance at survival. Weitzel & Jonsson's (1991) model suggests that Healthy Start, at this stage, must reorganize, with major structural changes being made to align the organisation with its changed name and aims.

Stage 5: Dissolution

The Management Committee appointed a new CEO in late 2003. When interviewed for this study, she reported how shocked she was to find the organisation was technically bankrupt. The auditors had advised that the organisation could not survive and was only operating on the funds raised by an extraordinary event that year. As well, the new CEO quickly discovered that “They didn’t want a leader. They wanted someone who would just do what they said and not cause any problems.” The Management Committee rejected initial attempts by the CEO to increase fundraising and sponsorship and change the structure. Conflict resulted and the relationship between Committee and CEO was strained. After only three months in the job, the CEO was considering resignation, and three-quarters of the Management Committee were not continuing after the annual general meeting.

Rescue and Renewal

Given an unforgiving external environment, and a Management Committee unable to act to prevent decline, Healthy Start’s future was bleak in 2003 when it appointed the new CEO. The new CEO was a very different appointment from the previous health administrators or ex chapter leaders employed in the role. Healthy Start had been typical of the many nonprofit associations who lacked professional management, and had been, as Young, Hollister, Hodgkinson and Associates (1993, p.3) suggest, run by "social workers, health care professionals, foundation people, educators". The primary concern of such leaders was the aims and values of the organisation and they had little interest or understanding of business practices. Indeed, Lindenberg (2001) reports that many nonprofits do not have the skills and resources necessary to run a business, and key stakeholders are likely to be intensely distrustful of corporate management techniques. The last six CEOs had been women with young families
looking to work with an organisation that “was family-friendly and whose values I shared” as a past CEO explained.

The Management Committee, under pressure from their auditors appointed a new CEO who was a marketing professional. The new CEO saw the role as a stepping-stone to appointments in larger organisations. She had applied for the position because the advertisement sought a leader for the organisation. While ready to resign within three months, she stayed, because: “I decided at this point that I had to stay for two years, less looks bad on your CV, and I might as well do what I could to turn the association around.”

Gebhardt et al’s (2006) model is useful in explaining what happened then. The new CEO began by initiating a program to convince the Management Committee, members and other stakeholders of the need for radical change. Her plan was to move to a more market orientated strategy. The Management Committee was initially reluctant to be involved in marketing. The CEO, an enthusiastic net worker and skilled communicator, ensured that the Committee and all other stakeholders, founders and patrons, former committee members, chapter leaders and government departments were aware of the critical state of finances. With strong supports from other stakeholders, the CEO gained limited support from the Committee for her plans, but from that moment on the CEO guided Healthy Start carefully through a series of major changes. She suggested that the traditional methods of dealing with their market were no longer appropriate due to social changes and new markets were needed. While the Management Committee, who had all been part of the traditional methods, did not agree that their methods were no longer appropriate, she convinced them to make extensive use of alternate services alongside the traditional methods, particularly web-based services. In the nearly three years since the introduction new services, particularly the web-based services, the demand for these services has increased exponentially and the chapter leaders and support personnel have enthusiastically participated. The CEO was also able to use the critical financial situation to justify the introduction of fee-for-service programs for health professionals and non-members who used the services, previously an anathema. The Management Committee had already changed the name and goals of the association, but the
new CEO drove a plan to announce these changes to their market using modern technologies and marketing techniques.

The new CEO then institutionalised the changes, altering the structure to reinforce her own authority over administrative, financial and fundraising activities that was a dramatic and fundamental change for the association. Previously the Management Committee dominated every activity. Allowed more independence in decision-making, the CEO was able to

\begin{quote}
Spend money to make money. Take risks without getting into trouble if I failed – and anyway I decided conflict was inevitable whatever I did so I might as well live with it. Previously any marketing expense was rejected because they saw it as taking money from our core activities. I couldn’t convince them that marketing was an investment and would pay dividends. The structural changes meant I could act without constantly seeking permission.
\end{quote}

As well, the CEO convinced the Management Committee to review the organisation’s basic activities and cut back on expensive investment in local chapters and the training of leaders, which had been historically necessary, but was no longer as important. These changes resulted in a more professionally run organisation with a CEO who was prepared to try new avenues of fundraising and promote new methods of delivering services. The organisation’s role of advocacy and support to professionals as well as support to new mothers was heavily promoted. As a result, by 2006 Healthy Start was operating successfully under the new structure and had re-asserted it role as a national advocacy organisation. Web-based services have proved very successful, and quite unexpectedly have led to a rapid increase in membership numbers; from a low of less than 10,000 in 2003 to 13,500 in late 2006. As well, fee-for-service programs have expanded rapidly, and interest from health professionals has increased greatly.

It is too early to tell if the revitalisation of Healthy Start is temporary or long-term, but it is clear that without this revitalisation, its slow decline towards dissolution would have continued. Had changes not occurred, Healthy Start would have ceased to exist as it showed
evidence of each of the antecedents of organisational deinstitutionalisation according to Oliver's (1992) model, and was clearly in a stage of slow dissolution.

It took a major crisis and pressure from external sources, the auditors, to bring about change and even then the Management Committee was reluctant. One main force in the change was the new CEO who became a champion of change (Lawrence, Dyck, Maitlis and Mauws, 2006). Having made the decision to stay with the organisation, despite her belief that the Managing Committee had kept the true state of affairs from her, the new CEO felt free to push for change unconstrained by the any desire to avoid conflict. She used her considerable communication skills to enlist support from stakeholders beyond the Management Committee for her reforms, and pushed on with her changes. For the first time in many years Healthy Start had a strong CEO who could overcome opposition.

The case study demonstrates that predictors of decline are very difficult to observe in the early stages. Our study does suggest that a knowledge of predictors of decline Oliver's (1992) would be useful for organisations and help them to avert reaching the stages of faulty action, crisis and, ultimately, dissolution. The ability to identify predictors would highlight the significance of the threat to organisations and the degree to which decline is occurring.

Institutional theory does not suggest what action is appropriate at each stage, nor does it suggest what organisations should not do. The combination of Institutional Theory and Theories of Decline as set out in Table 1 provides a more useful theoretical framework for voluntary associations experiencing stress from changed circumstances. We believe further research would help to identify which predictors are most evident at which stage, and what implications there are for management and leadership at every stage.

Non-profit organisations that are in decline can survive if they understand and respond appropriately to changes in society. The CEO undertook a change program that changed the organisation from technical bankruptcy and declining membership to a successful contemporary service provider to the community. The organisation underwent significant change in ways that ensured that its social capital was preserved and enhanced.
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