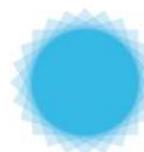# New Organizational Models: Traditional and Emerging

Marilyn Struthers, Program Manager, Ontario Trillium Foundation

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Note to the Reader from the CPAF Secretariat

Please note that the following document was presented at the Canadian Public Arts Funders (CPAF) Annual General Meeting, Future Directions in Public Arts Funding: What Are The Shifts Required?, on November 16-18, 2011, in Whitehorse, Yukon and was intended to serve as information for a discussion on the theme of the meeting.

The views expressed by the author(s) are based on their interpretations from a variety of sources of information and do not necessarily represent all points of view, or the current program structures and policies of the membership of CPAF.

The reader is invited to provide feedback to this report by contacting Melanie Yugo, Partnership and Networks Officer, CPAF Secretariat, at melanie.yugo@canadacouncil.ca or 1 800 263 5588 ext 5144.

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Q: What do an arts organization and a starling have in common?
A: They are both part of a complex adaptive organizing system!

Intrigued? For many years, the nonprofit sector in Canada has been relatively invisible. How can this be? Organizations that almost every Canadian contributes to as a donor, ticket holder, volunteer or participant are embedded in a complex system so close to us that we see individual organizations, but not the whole. And, unlike those clouds of identical birds we see getting ready to migrate in the fall, there is an increasing variety of organizational shape and form in the sector.

In 2003, the National Survey of Nonprofit and Voluntary Organizations showed us the sector as a coherent system, having as large and impact on our economy as the mining oil and gas industries combined.[i] One hundred and sixty-one thousand organizations, half of them registered charities, and an untold number of "grass roots" groups are vehicles for Canadians righting wrongs, innovating, making art, playing soccer or caring for others in communities. 9% or 14,500 of these are arts and culture organizations. As the fifth most common type of nonprofit organization in the county, arts organizations engage 5% of Canadian volunteers, employ 72,798 people and report annual revenues of $3.4 billion a year. More than half of their revenues come from earned income, making arts organizations more entrepreneurial and less dependent on government funding than other parts of the sector.[ii]

Civic organizations that earn – rather than have donated or granted - major portions of their revenue occupy a new "hybrid space", the place where the market economy and the nonprofit sector intersect. "Hybridity" is a term beginning to be used to describe the structures of organizations that bridge traditional ways of doing things. Research is starting to show that organizational structures that are a little bit of this and a little bit of that often improve nonprofit governance and create access to diverse forms of revenue.[iii] While nonprofits have always tinkered with structure to meet mission and make the most of resources, "morph" forms are now increasingly common: foundations that fund only the symphony that created them; a government created arts centre with an arms-length nonprofit board; a theatre that operates a gift store as a for-profit-enterprise; an "umbrella" charity that exists only to incubate new work within.

Collaboratives are another form of hybridity that offer the opportunity for generative relationship[iv] and emergent work. Organizations form temporary structures, bound by no more than a handshake or an memorandum of understanding, to create and fund work together. Their activities are often hybrid also. Where once we could expect arts organizations to "do" art and social service organizations to "do" service, collaborative ventures link very differently-purposed organizations in work that not only cuts across organizations, but across sectors and expertise.

Organizational theory has always drawn metaphor from science. Scientists studying complexity theory are making new metaphors available for human organizing. Where Newton's theories are used to describe organizational structure in component parts, running like a "well oiled machine", information flowing through appropriate "channels"; complexity theory offers metaphor from the natural world that account for change over time, relationship in the environment and the unpredictable. A flock of starlings, the nonprofit sector and the arts communities within all fit the definition of a "complex adaptive system":

> "A collection of individual agents, who have the freedom to act in unpredictable ways, and whose actions are interconnected such that they produce system-wide patterns."[v]

It is these system-wide patterns that are of interest now. The world wide web, another complex adaptive system, provides access to the wider view and potential for relationship. It helps us to see our world as interconnected, and sometimes glimpse what might be coming. Understanding cascades of change on the landscape is essential to the survival of both the delicate bone structure of a starling and the organizational containers built to mobilize still fragile new vision and program.

Imagine for a moment - that flock of starlings twisting and pirouetting in the slightest shifts in temperature and sunlight. As a whole, form changes frequently, not by any bold leader's design, but emerging in response to minute shifts in environmental condition: thousands of birds and they never collide. As individuals, they manage this common-place miracle by flying in constant relationship to the seven birds nearest to them, and through them, those further away. This is the skill set of flocking.[vi]

Seeing the sector as a complex adaptive system offers different possibilities for noticing what is going on inside individual organizations. Funders have used a capacity-building lens to help us to hold a view of organizations as well as their projects. In the mid-2000s, this lead to theories about component abilities of organizations that contribute to stability: regular funding, strong boards, good fiscal controls, stable audiences.[vii] Yet as anyone working in the sector to-day knows – stability is illusive and usually a temporary condition. Our oldest, most "stable" organizations have often had the hardest time staying on the landscape in shifting times.

Thinking about resilience rather than stability is helpful. Moore and Khagram identify three dimensions of resilience: demonstrating public value, showing legitimacy and support, and strengthening operational capabilities, pointing out that all three dimensions hinge on the ability to collaborate.[viii] Collaboration itself is highly dependent on relational capacity and there are distinct links between relational capacity and an organization's financial wellbeing.[ix] Across the sector we are seeing the emergence of small, fleet organizations that can shift and change with a kind of resilience that allows them to bend, morph and join up with others as fast as the landscape changes. Larger organizations are developing a porosity that allows them to bend at the boundaries, change organizational shape and link with others. Once we would have deemed these organizational forms as "unstable", but the elasticity of organizational form creates an adaptive capacity that is a survival strategy in a constantly changing landscape.

So what do funders look for when the goal is flexibility rather than stability?
When we evaluate opportunities for funding, we evaluate the organization's capacity to do the work as well as the merits of program. Applying complexity theory helps us to identify six elements of resilient capacity that are the hallmark of organizations functioning as part of a complex adaptive system – starling wisdom:

1. **Emergent**: In constant development – never quite arriving at stability
2. **Hybridity**: Organizational forms that are neither one type or another, but combinations
3. **Collaborative**: an ability to couple with others and then uncouple when the work is complete
4. **Generative in their relationships**: seeking new work, resources, vision through relationship, often with quite unlike others

5. **Entrepreneurial**: independent and venture seeking: if they cannot finance the work one way, they will find another
6. **Networked**: constantly in touch with the rest of the flock, they know where they are, exactly which part of the sky is theirs and for how long.

As funders, we may find our own relationship with these kinds of organizations challenging. As they are emergent, they may have shifted the project from the beginning of the grant to the final report. Hybrid organizations can challenge what we know about reliability in organizational design. Working with collaboratives challenges us to review and support the work of not one but multiple organizations and also their capacity work together. Highly relational organizations will want to make relationship with us - come and visit; seek "face-time", negotiate terms and conditions. Entrepreneurial organizations will not yet have all of their donors in a row – but leave it to our reviewing imaginations to judge if they have the capacity to pull off the total funding they require. And finally, networks dwellers will invariably have more information than we about who is doing what on our shared landscape.

Old ways can die hard. Funding organizations working within a fiscal audit narrative of what is "good" in funding practice, particularly, will experience pressure to create objective measures of highly emergent and subjective funding opportunities and to hardwire in budget lines and outcomes when learning and change and what will make for effective outcome. Funders working alone will miss opportunities to invest in systemic change open to those who can also work in networks, pooling resources in collaborative funding ventures. And those without the ability to build relational capacity to learn from and with their grantees will quickly lose sight of the where the flock is heading.

[i] *Economic Impact of Charities and Nonprofits*, 2007, Imagine Canada, http://library.imaginecanada.ca/print/sector_research/statistics/impact

[ii] *Arts and Culture Organizations in Canada: National Survey of Nonprofit and Voluntary Organizations*, Imagine Canada, 2006, http://library.imaginecanada.ca/files/nonprofitscan/en/nsnvo/nsnvo_report_english.pdf

[iii] Smith, Steven Rathgeb, 2010, Hybridization and nonprofit organizations: the governance challenge, *ScienceDirect,* Policy and Society 29 (2010) 219-229.

[iv] Lane, David, & Robert Maxwell, Robert, 1995, *Foresight, complexity and strategy*. URL: http://www.santafe.edu/media/workingpapers/95-12-106.pdf, [March 25, 2010].

[v] Eoyang, Glenda, 2004, *Complex adaptive systems CAS*, W.K. Kellogg Foundation ,Battle Creek, MI.

[vi] Cavagna, Andrea & Irene Giardina, June 2008, The Seventh Starling, *Significance, Vol.5(2), pg 62-66.*

[vii] Connolly, P., & Lukas, C.,2002, *Strengthening nonprofit performance: A funder's guide to capacity building*. St. Paul, MN: Amherst H. Wilder Foundation

[viii] Moore, Mark & Sanjeev Khagram 2004, in Maxwell, Judith, The Road to Resilience: Working Together, *The Philanthropist*, 2010, Vol.23(3), pgs 247-258.

[ix] Struthers, Marilyn, 2004, Supporting Financial Vibrancy in the quest for sustainability in the not-for-profit sector, *The Philanthropist*, 23(2).