# A Trojan Horse? International Development Agencies Embrace Business Practices and Mental Models

**Mark McPeak**

## Introduction

The crisis that followed the collapse of Lehman Brothers in September of 2008 was very real for poor people across the world. As an illustration, it has been estimated that the global financial crisis (GFC), will push an additional 64 million people into extreme poverty at the end of 2010 (United Nations Department of Economic and Social Affairs, 2010).

International development agencies that work to help poor people overcome poverty also faced an unprecedented crisis at the end of 2008. For example, 79% of Australian non-profits experienced flat, or declining income over the six months after the GFC (Centre for Social Impact, 2009), and 62% of UK charities experienced a drop in income (Charity Commission, 2010). Even as late as 2010, around 60% of US public charities and private foundations were planning either to reduce their budgets, or to keep them about the same (Guidestar, 2009a).

In response, these agencies took strong action to mitigate the effects of the crisis: for example, after cutting budgets, 54% of American non-profits surveyed reduced program activities, froze salaries (44%) or hiring (33%), instituted lay-offs (29%), or reduced salaries (23%) of staff (Guidestar, 2009b).

Today, more than two years after Lehman's demise, the broader economy shows some fragile signs of stabilisation, and revenues for some international development agencies have stopped declining. Optimists speculate that, perhaps, the crisis has passed...

Sadly, I will argue in this paper that deep risks remain for nonprofit agencies, risks related paradoxically to our sector's relatively recent embrace of some of the same business-sector methods, mental models, and culture that helped cause the GFC in the for-profit world. Like the Trojan Horse of antiquity, we welcomed the sources of a deeper crisis into our sector when we became more "businesslike." And unless our organisations take corrective action, a second, and perhaps deeper, crisis – our very own Lehman Brothers – may lie ahead.

Should we in the non-profit world beware of capitalists bearing gifts?

I begin this paper by describing my own experience in non-profit organisations as they grew, and began to import business practices, from the mid-1980s. As illustrations, I then outline four examples of for-profit practices, methods, or mental models that have deeply influenced our sector – with positive, as well as (in my view) harmful consequences:

- *We have come to view the world as a linear, logical place;*
- *We have embraced the belief that bigger is always better;*
- *"Accountability" to donors has become deeply fundamental;*
- *Our understanding of human nature has evolved towards the purely material.*

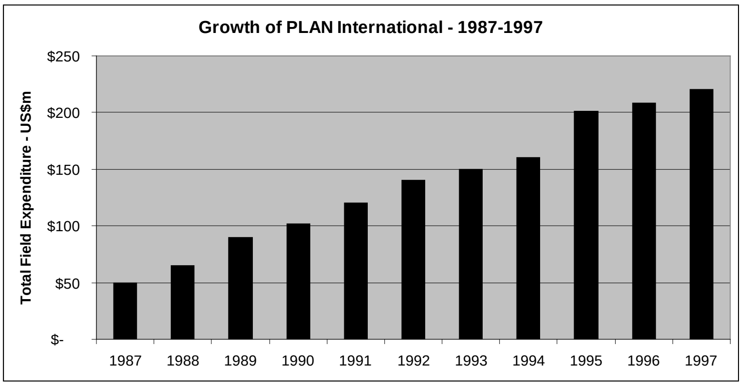
Each of these for-profit sector influences is shown to have contributed in some way to the GFC, and to threaten non-profits with our own future, GFC-like crisis. In conclusion, I point to particular non-profit values and practices – undervalued or even abandoned in our rush to mimic business practices – that could offer pathways to a sustainable future for the broader economy.

Perhaps non-profit values of sustainability, justice, and inclusion just might be our own Trojan Horse, infiltrating, one day, the citadel of capitalism.

**Business practices come to the non-profit sector – a personal reflection**

I joined the international development sector in the mid-1980s, first as a Peace Corps volunteer in rural, highland Ecuador, and then as a field manager for Plan International ("Plan"), a major international non-governmental organization ("INGO").

I arrived in Tuluá, Colombia, in mid-1987, to take up my post as Assistant Field Director in the Plan office there. Coincidentally, as can be seen in the figure (from McPeak, 1999), Plan's growth was about to take off.




At that time, the massive, worldwide response to the Ethiopia famine in 1984 and 1985 had led to significant growth in the size of many international development organizations, and to increased public scrutiny. Both the growth and the scrutiny were welcome and appropriate consequences of the outpouring of concern that was generated for Ethiopia's plight.

A new International Executive Director ("IED"), Alberto Neri, had joined Plan the year before I moved to Tuluá. Neri was an Italian engineer and businessman new to the non-profit sector, replacing George Ross – a social worker who had risen through Plan's ranks, who was now retiring. Given Plan's rapid growth, word amongst staff was that the international board of directors had felt that stronger attention to business practices was now required. Plan was going to become more "businesslike."

As I took up my posting, the agency was just beginning to introduce a number of comprehensive, private-sector-derived systems and controls in a dozen field offices in South America, including in Tuluá. Over the next three years we pilot tested a new organisational planning and budgeting approach, and related software (using the brand-new IBM Personal Computers just coming onto the market); a new field-office evaluation system, enabling us to assess changes to key impact indicators and feed this information into planning; and a new suite of organisational human-resource management and development practices and systems.

At the same time, a new regional structure had been put into place. Now, instead of reporting to headquarters in Rhode Island, USA, the Tuluá office reported to Plan's first Regional Office in Quito, Ecuador. Enhanced audit practices were being rolled out. Significant new finance procedures and controls were put into place. To handle the growth shown in the figure, Plan tested a "rapid urban growth" mechanism in Cali, Colombia which, if successful, was to be rolled out as required to help handle the organisation's expansion.

Most of the new systems were adapted from Alberto Neri's business experience, and were alien and unwelcome to most staff – except, of course, to the finance staff, who embraced the changes with enthusiasm. Experienced program staff, on the other hand, reacted with alarm and suspicion; for example, didn't Alberto's insistence on establishing limits on authority at various levels of the organisation imply a lack of trust?

I feel very fortunate to have worked with Plan in Tuluá during that time. Fundamental, business-influenced methods and practices were pushed into an organisation which seemed to me, at the time, to need them and to resist them in equal measure. I watched and learned, and rounded out my management skills in a way I could never have experienced otherwise, so early in my career. And I was exposed to major organisational change management, which would serve me well in subsequent roles in Plan, and beyond.

For example, the new planning and budgeting, and evaluation systems allowed us in Tuluá to base our program design on real evidence, and to plan accordingly. This was very helpful. But it was hard to include important, intangible, aspects of our program in this **linear, logical framework**. For example, the Field Director in Tuluá, Monique van't Hek, spent countless hours working with a group of around 300 women, most of whom had been abandoned by their partners. Monique worked to build the self-esteem and capabilities of these women so that, several years later, they were able to build their own homes in what became an entirely new neighbourhood in town, Barrio Internacional. It was easy to measure the houses when they were built, but how to capture in Plan's new systems the most important aspect of this project's success – the transformation of those women, with new skills and increased self-esteem? And while the rapid **growth** in Cali succeeded in its main aim, enabling Plan to expand as fast as possible, the practices put in place to enable this (see below) would come back to challenge Plan's work there in the near future.

Alberto Neri left a strong and enduring legacy, but his tenure was stormy. And his departure was abrupt, triggered by a strong and long-lasting clash of cultures (with Alberto and the majority of the finance-related staff on one side, and field and program staff on the other) which he did not successfully navigate.

After an interregnum, Max van der Schalk joined Plan as IED in 1993, having recently retired from Royal Dutch Shell. By then I was serving as Regional Director for South America, but Max soon invited me to join him, as Director of Planning and Program Support[1], at International Headquarters. I would spend four years in that key position.

A few months after I arrived, we relocated Plan's headquarters from the United States to the UK; at the senior-management level, only Max and I made the transition across the Atlantic. So a key task, once we had settled in the UK, was the recruitment of new directors of finance, audit, and human-resources. In the end, all three new department directors we hired were from the private, business sector. Thus, from our relocation to the UK in 1994 through to my departure from headquarters in

[1] Equivalent to Program Director, in Plan's terminology of the day.

mid-1997, four of the five members of Plan's headquarters-based senior management were from the private sector, with little or no significant previous non-profit experience.

Max, like Alberto, came from the business world. But he was a much more skilled and nuanced leader than Alberto had been – a good listener, with a lively sense of humour and strong personal charisma. However, Max's business instincts also occasionally led him into difficulties, particularly in dealing with Plan's culture, and with our expatriate staff. The fact that our recently-hired department directors were also all new to the non-profit world meant that these difficulties were frequently faced without benefit of a full understanding of the sector.

Several times, for example, Max shared his view that the nature of careers in the modern economy had changed: in the past, employees could count on lengthy tenures in a single organisation, rising through the ranks with a sense of stability and reciprocal loyalty. Max's view was that times had changed, and that professionals should not expect to stay in any one organisation for more than, say, ten years. For me, this was a valid and interesting observation. But I could understand how it offended many in Plan's value-driven culture: staff felt that they were **valued members of a community, not mere employees**. The prospect of leaving Plan after ten years felt to them, almost, as abandonment by family.

The new UK team contributed many positive things to Plan (McPeak, 2001), and Max had a productive and successful tenure as IED. But, just as with Alberto Neri, several of the new department directors faced challenging times at headquarters.

Since leaving Plan in 2002, I have worked as a consultant, as Executive Director of two human-rights and social-justice agencies, and now as International Program Director at ChildFund Australia. During my career in our sector, in these varied roles, I've seen a steady increase in the public scrutiny of INGOs. Donors have become more demanding of INGOs – insisting on systematic approaches to development effectiveness, to a great extent to serve their own accountability requirements to parliaments, boards, etc. Alongside this we have seen the emergence of non-profit "rating" agencies such as "GuideStar"[2] in the US, which provide analysis and commentary for the public. And we've seen the more-recent establishment of anti-INGO websites such as "NGO Watch"[3], which seek to challenge the perceived political and cultural agendas of our agencies.

These pressures, which began in the mid-1980s and have only grown since then, have led INGOs to invest substantial efforts in **becoming more accountable to donors** for the use of funds.

**Business practices in the non-profit sector – a Trojan horse?**

Drawing from the personal reflections outlined above, and close observation of many major INGOs over the years, it is clear to me that many of the for-profit methods that we have imported into our agencies have helped us achieve our aims. They have strengthened our organisations which, clearly, had major weaknesses. But some aspects of the values and culture that are embedded in these practices are like the soldiers that were hidden within the Trojan Horse of antiquity, bringing, along with benefits, significant risks to the non-profit sector which we have not fully recognised.

[2] http://www2.guidestar.org/
[3] http://www.globalgovernancewatch.org/ngo_watch/

In this paper, I will reflect on four of these private-sector influences. While not comprehensive, I have personally observed the unintended damage that these particular private-sector influences have caused in the non-profit world over the last few decades:

1. *a view of the world as a linear, logical place;*
2. *a belief that bigger is always better;*
3. *putting a high priority on "accountability" to donors;*
4. *a materialist view of human nature.*

I will describe each of these influences in the next four sections of this paper, tracing each back to its private-sector origins, and explain the good intentions that underlie its introduction into non-profit agencies. Then I will describe the good, as well as bad, effects that each of these systems or practices has had in our organisations, and indeed in the for-profit world.

## *1. The world is a linear, logical place.*

*"What is best in music is not to be found in the notes" – Gustav Mahler*

Perhaps the most corrosive influence that the business sector has had on the way that non-profits work is the view that the world is a linear, logical place, where:

- if we produce the planned outputs, then the desired results will be achieved inevitably. Process doesn't really matter – just deliver the outputs;
- the trends that we observe today will continue in a predictable manner;
- if only we can get the right data, then decisions will be clear and unquestionable;

This linear, reductionist view is a powerful legacy of the scientific revolution, and its influence is clear in the private sector. Taylor's scientific management, project management techniques, strategic planning, management-by-objectives, compliance audits, etc. – all of these approaches reflect a logical, orderly view of the world, confidence that linear cause-and-effect relationships describe reality, a belief that markets are efficient and respond to stimuli in a predictable and optimal manner. In other words: the world is complex and complicated, yes; but it's not chaotic. We can understand it.

This cult of "management by objectives" reigns supreme in the private sector, and its influence in the international development sector is also very clear. A good example is the common use of the logical framework approach as the fundamental tool in project design, required by most institutional donors, including AusAID.

The LogFrame has been very beneficial in some ways: in the past, INGO projects have often been full of good intentions, but their designs are often incomplete, unclear, and insufficiently grounded in evidence that they will be effective. The LogFrame approach has forced us to think through the assumptions and connections which underlie project design, and this disciplined process has been helpful.

But as illustrated above with the house construction effort in Tuluá, it is difficult to include qualitative factors in the LogFrame, whose tidy, fastidious, linear structure cannot easily accommodate the kinds of chaotic relationships which are crucial in describing human development, and which are frequently at the heart of achieving a just, equitable, and compassionate world.

As program design increasingly was carried out in the language of the LogFrame, non-profits gradually, inevitably, lost fluency in concepts which didn't fit, drifting away from the subtle, the human, the fuzzy logic, and towards the measurable, quantifiable, hard logic. We focused precisely on what <u>does not matter</u> – projects and outputs, rather than process and human development and human rights[4]. We applied a *technical* approach to a *human* challenge.

Our sector's work to achieve the Millennium Development Goals (MDGs) has been plagued by this obsession with output at the expense of process. And it is precisely (messy, nonlinear, chaotic) process which delivers sustainable, transformational change (Fowler, 2008): human development and social justice are not just the sum total of a set of projects producing outputs, because they result from non-linear processes and are often the result of fortuitous serendipity.

Another example of the application of the linear worldview is the use of ratings agencies to assess non-profits. Agencies such as Guidestar apply rigorous, linear, analytical tools to INGOs, much as Standard and Poor's applies to corporations – with similarly flawed foundations. And consider the increasing use of "key result areas" in managing our staff. As if achieving a set of quantifiable objectives can fully capture the reflective, adaptive working styles which typify our sector at its best.

Sadly, this linear view of the world is unsound, even in the scientific realm – Einstein and Heisenberg dethroned Newton a century ago. It turns out that the world is more complicated than our models suggest. Markets are often not very efficient at all, and this contributed to the enormous economic, social, and political damage created by the GFC. Reliance on the ratings of agencies such as Standard and Poor's was of little benefit during the GFC. And ironically, as the non-profit sector began to import output-focused mechanisms such as the LogFrame, more successful businesses began to emphasise process and empowerment, as evidenced by the influence of Deming, Juran, and the total-quality-management (TQM) movement.

Some non-profit organisations have retained their sense of the non-linear, chaotic nature of human development, particularly smaller activist agencies with social-justice focuses (such as UUSC, where I served as Executive Director). They are comfortable, in principle, with a more nuanced view of reality, with ambiguity and nonlinearity, with knowing that we do not have the answers, and with an open, questioning, adaptive, reflecting approach[5].

*2. Bigger is always better.*

*"Economic growth has become the secular religion of advancing industrial societies" – Daniel Bell.*

Growth – of wealth, of market share – is a fundamental feature of our capitalist system, celebrated in the myths and folklore of business heroes who created iconic organisations that came to

---

4 The improvement of material conditions is, of course, a key outcome of the work of INGOs. This is what poor people demand. But Deming and Juran emphasized process, employee empowerment and leadership over short-term profits, as crucial to sustained business success. To achieve sustainable development, good development programs incorporate a nuanced view of the causes of poverty, including an understanding of processes of exclusion and injustice, and seek to empower stakeholders.

5 These agencies have their own eccentricities, but that's another story.

dominate their markets. There is little doubt that economic growth can be good for poor people and that, conversely, economic stagnation or contraction is bad for the poor. Over the decades, our organisations have learned to foster pro-poor growth through micro-lending programs, and by advocating for including questions of equity in economic policymaking at national levels.

But the focus on growth that Alberto and Max brought to Plan was organisational, driven both by a moral view (we were doing good work, there was a lot of poverty, so we should do more), and by a competitive, Darwinian mentality. Both men brought a capitalist, private-sector ethos to the question, and my sense was that they believed that Plan's "market share" (understood as the size of our budget relative to other agencies) would either grow towards dominance, or the agency would perish in some future merger or acquisition. As a result, Plan (along with most of the other major INGOs such as ChildFund, World Vision, Save the Children, Oxfam, Care, etc.) sought to become a multinational brand, with members across the globe sharing common corporate identities.

In McPeak (1999) I surveyed the literature related to INGO growth that existed at the time. A framework that was helpful to Plan in our creation of a growth plan looked at this issue in four dimensions (Uvin, 1995a; Uvin, 1995b; Uvin and Miller,1996):

- **Quantitative growth** – for example, by increasing budgets, expanding geographical working areas, and augmenting membership bases;
- **Functional growth** – expanding the range of activities undertaken and broadening interventions from agriculture, for example, into health or education;
- **Political growth** – moving beyond project implementation toward addressing the structural causes of poverty;
- **Organisational growth** – strengthening internal capabilities and improving programmatic effectiveness and efficiency.

In this view, size is (only) *one particular dimension* in a more complex and holistic framework for understanding growth, and focusing exclusively on only one of these dimensions is ultimately likely to be ineffective and unsustainable.

Plan learned this, for example, in the "Rapid Urban Growth" pilot test in Cali, Colombia. Measures employed there to encourage as many participants as possible to enrol in the program, as quickly as possible, created expectations that biased subsequent projects towards providing direct benefits – contradicting Plan's program approach, and counter to good development practice. Over the years this private-sector value has also driven many INGOs to pursue funding, sometimes to the detriment of good development practice. "Donor-driven" projects, while not all harmful, can compromise our organisations' ability to respond to the priorities of poor people.

Similarly, this same "growth is good" ethos in the corporate world created behemoth organisations like Citibank, General Motors and AIG, which were deemed "too big to fail" in the post-Lehman economy. The measures employed by Plan in Cali to promote growth are reminiscent of the accounting tricks used by General Electric to show smooth, inevitable growth, quarter-by-quarter: in both cases, seemingly successful results were far from sustainable. Fortunately, fixing Plan's program in Cali was easier and less costly to society than putting Citibank back on track.

For-profit agencies which have weathered the global financial crisis have tended to take a somewhat more nuanced view of growth, implementing strategies which enhance sustainability, diversify risk, focus on their market niche, and build their capabilities. At their best, non-profit agencies know this, too – organisational growth is about being effective in advancing their work, in multiple dimensions, not simply (or only) about reaching more donors.

*3. Accountability to donors (owners) is of paramount importance.*

*"There is a growing and renewed critique of international aid which is gaining ground. At the heart of this critique is the contention that the aid system is <u>not accountable to those it seeks to benefit</u>, and that it distorts the accountability of governments to donors and away from their own citizens" – Chris Roche (2010 – emphasis added.)*

Accountability has always been key to the success of non-profit organisations, because our agencies depend on voluntary contributions for their survival. In that sense, donors are for INGOs what customers are for the business sector. But our agencies also, at their best, felt a strong passion for accountability to poor and excluded people.

The behaviour of INGOs since the 1980s is consistent in many ways with a "donor = customer" analogy. Over time, successful non-profits have developed impressive abilities to report to private and institutional donors in great detail and with creative use of technology. At Plan, at the human-rights agencies I served, and at ChildFund Australia, we put great priority on ensuring that donor reporting meets or exceeds expectations... most of the time, we are successful. And if donors are our agencies' customers then, because of the reification of customers in the capitalist system, there have been very few limits placed on reporting requirements. The customer is always right.

Expectations of INGO accountability to donors have risen along with budgets, and therefore it's easy to understand that relationships with donors (customers) have become far too important to put at risk.

This emphasis on accountability, the "customer" mindset, is another example of business culture introduced into INGOs since the mid-1980s. Again, the intention was good, and of course our agencies must be accountable to donors, and be good stewards of other people's money. The challenge has come with balancing accountability to the varying interests of the wide variety of stakeholders that INGOs interact with, when one particular stakeholder has received such high-profile attention. Accountability to communities, to poor and excluded people, has inevitably taken a back seat in our zeal to satisfy donors[6].

My own experience indicates that there is no inherent contradiction here – it is possible to build accountability in ways that balance the interests of all stakeholders, and most donors understand that poor people must be the primary stakeholders of our organisations. But it does cost more time and money to be accountable in multiple dimensions, and in a competitive environment which emphasizes low overhead ratios there are limits to the resources that can be devoted to reporting and accountability systems. More importantly, it's easier to report outputs to donors than it is to

[6] Moyo (2009) recent used this same reasoning to argue that overseas development assistance should be stopped because it diverts the accountability of African governments from their citizens to the donor community.

reach out to poor communities in ways that encourage reflection about sustainable development, equity, and rights. So INGOs have prioritised accountability to donors, and underemphasized accountability to poor people – seemingly a fundamental conflict with the values of solidarity and justice which informed the establishment of our organisations.

Even in the private sector, there are many critics of the notion that modern corporations should only and always act to maximise profit. These critiques have led to the consideration of broader notions of accountability, bringing concepts such as the "triple bottom line" and tools such as the Balanced Scorecard into the repertoire of many successful organisations. And the TQM movement succeeded in transforming employees into stakeholders – for examples, through the use of mechanisms like "Quality Circles."

In this light, businesses could possibly learn from the ways in which non-profit organisations (at their best) seek to serve multiple (internal and external) stakeholders.

### *4. Darwin and Maslow were right.*

*"The point is, ladies and gentleman, that greed, for lack of a better word, is good. Greed is right, greed works. Greed clarifies, cuts through, and captures the essence of the evolutionary spirit. Greed, in all of its forms; greed for life, for money, for love, knowledge has marked the upward surge of mankind." Gordon Gekko, Wall Street, 1987.*

I argue above that the linear, logical view of the world is the most corrosive influence that the business sector has had on the non-profit world, because it distracts us from the complex, non-linear, and chaotic nature of human development. In a different way, the materialist view of human nature that has infiltrated INGOs from the private sector has been even more destructive of our <u>culture</u>.

By a "materialist view," I mean an understanding that human beings:

- are rational economic agents, consumers, essentially seeking to maximise material wealth;
- live in a Darwinian world of survival of the fittest, where cooperation and altruism are unnatural and counterproductive anomalies;
- proceed sequentially, consistent with Maslow, from satisfying basic needs like food and water, then to achieving safety, then to obtaining love and belonging, next to seeking esteem and, finally, to pursuing self-actualisation.

This mental model of human nature is deeply held in modern Western culture, and (like the linear, logical view) has contributed to the enormous increase in material wealth which was achieved across many parts of the globe in the 20th century. It underlies much of modern market economics and, as such, has proven its clear superiority to any alternative way of modelling our economic behaviour.

Since most of our organisations are based in Western cultures, the materialist view deeply resonates with us... so when people with experience in the business world argue that we should apply these same principles to our work for human development, we rarely question the basic assumptions being made. For example, Plan was not unique in the 1980s as it introduced an array of human resources practices which were based upon the fundamental assumption that our staff were motivated primarily by economic gain, performance-related pay being merely the most questionable of these systems.

Even in our programmatic work, the materialist view has had huge influence. In the 1990s, for example, INGOs began to implement micro-finance programs modelled after the Grameen Bank – small loans to poor people, mainly women, at market rates, managed through sustainable micro-finance institutions. These programs were seen by many, at the time, as the only tool needed for overcoming poverty – as if increasing poor people's income was the ultimate goal of our organisations!

The good intention underlying the introduction of these systems is to improve the efficiency and effectiveness of our organisations. But it is hard to imagine a set of values more incompatible with our sector. The materialist world has little space for the notions of justice, compassion, and solidarity which are the foundations of our sector, and little understanding that our staff gain deep motivation from direct contribution to our work. In this view, poverty is the "lack" of a set of marketable goods and services (primarily monetary income; also access to health and education services, etc.) – when these things are provided, the problem is solved.

The Millennium Development Goals are a good example of the materialist view[7]. The world is a better place because of the MDGs, and I am not arguing that we should abandon our efforts to achieve them by 2015. In fact, we should re-double our efforts. However, it is possible to imagine a world in which the MDGs have been achieved, but which is still characterised by injustice and poverty.

This is because poverty is actually much more than a "lack" of certain goods and services. The groundbreaking "Voices of the Poor" study (World Bank, 2000) and the ChildFund Poverty Study (ChildFund, 2005) both found that, for poor people, the situation is much more complex and dynamic: ChildFund found that children, in particular, experience poverty from a very early age as a shifting mixture of deprivation, exclusion, and vulnerability. If we have systematically defined incorrectly, how can we overcome it?

In the for-profit sector, despite the rhetoric, the use of performance-related pay and stock options did not align the interests of management and shareholders, nor did they create sustainable business models; in fact, these practices contributed to the massive over-leveraging which was a root cause of the GFC.

Deming and Juran emphasised teamwork and cooperation as being fundamental to business prosperity. Agencies such as Google seek to motivate their staff through an assortment of measures, many of which involve forms of non-monetary recognition, not just through pay increases or bonuses. Over the long term these practices, which typified non-profits in an earlier time (especially activist, social-justice organisations), build greater employee engagement, stronger motivation, and better performance.

[7] The MDGs are also a good example of the linear, logical view of our work, which was discussed above.

**Non-profits strike back?**

*"We must reject the idea – well-intentioned, but dead wrong – that the primary path to greatness in the social sectors is to become 'more like a business." – Jim Collins.*

In this paper, I've been careful to acknowledge that many of the practices that were imported into the non-profit world since the 1980s have had positive effects. Proper planning and budgeting processes have helped us deliver on our promise. Good human-resource-management systems have helped us develop and nurture our staff. Logical monitoring and evaluation frameworks have been important instruments for learning and reflection. And thorough independent audits have helped us be responsible stewards of resources entrusted to us.

But I've described how, in the process, we've moved away from core values and principles which characterised our sector. It's as if the introduction of private-sector models and culture has been like a Trojan Horse, promising to strengthen our organisations while actually causing harm.

It's even possible to imagine that our sector's very own GFC could be triggered by our adoption of these influences. For example:

- *A view of the world as a linear, logical place:* what if our continued reliance on linear mental models leads to a lack of progress in our efforts to reduce poverty? Perhaps we've gotten as much out of these techniques as we can, and further progress will require us to regain our skills working with a more nuanced view of reality;
- *A belief that bigger is always better:* what if the huge growth of some multi-national INGOs leads to overreach, much like what was experienced by Citibank. Would these nonprofits also be deemed "too big to fail"?;
- *Putting a high priority on "accountability" to donors:* what if communities lose faith in our integrity because of the immense priority that we put on relations with one particular stakeholder – our donors?;
- *A materialist view of human nature:* what if our zeal for motivating our staff as if they were business-men and -women undermines, over time, what brings the best people to our agencies?

The fact that we have not faced a non-profit version of the GFC means that we have an opportunity to step back and reflect, with clear heads and a healthy degree of scepticism, about which aspects of the private, for-profit sector we should retain. This is, at the same time, an opportunity to value once again the strengths that our organizations have which will help us be more resilient when the next crisis comes. Interestingly, it seems that many in government and even in the private sector are recognising that certain business practices, such as those illustrated in this paper and, sadly, adopted by many non-profits, were among the root causes of the GFC.

In that light, in closing, I want to suggest that it is time for the business sector to begin to learn from our non-profit organisations – it's time to construct our own Trojan Horse and offer it to the capitalist world. Our own Trojan Horse could contain <u>hidden gifts</u> like these:

- The world is a non-linear, chaotic place, in which non-profits have learned to reflect on experience in a qualitative way. Businesses could benefit from the culture of learning and reflection which typify INGOs at their best;
- Because, as we saw with AIG, Citibank, and Lehman Brothers, bigger is not always better, businesses could learn from the ways that non-profits enhance their efforts by growing functionally, politically, and organisationally;
- In today's (business) world, "accountability" to "owners" must be balanced by responsiveness to a much broader range of stakeholders; at our best, non-profits are well-versed in this balancing act, with a range of tools and practices enabling us to understand and respond to an array of often contradictory viewpoints;
- Fundamentally, all organisations respond to human needs through sustained, cooperative action – or they fail. Because the fundamental purpose and values of non-profit agencies are explicitly consistent with this mandate, they have learned (with varying degrees of success) to operate in ways that "walk the talk." As Jim Collins points out, social-sector organisations have "one giant advantage: (they) can more easily tap idealistic passions of people who seek nobility of service and meaning beyond money" (Collins, 2006). The lessons learned by non-profit agencies in working effectively in value-driven cultures could be of great use to businesses.

Perhaps the time has come to create a forum in which learning can take place across the two sectors – this time in both directions.

**About the author**

Mark McPeak is the International Program Director for ChildFund Australia, based in Sydney. Before moving to Australia, Mark served as Executive Director for two human-rights and social justice organisations in the United States. He has consulted with several global non-profit agencies in program-development and strategic change management, and held field and senior management positions with major INGOs based in Africa, Asia, Australia, Europe, Latin America, and North America.

**References**

Centre for Social Impact (2009) Managing in a Downturn, A Comprehensive Survey of the Impact of the Economic Downturn on Not-For-Profit Organisations. http://www.csi.edu.au/our-research-projects/#Managing%20in%20a%20downturn, accessed on 17 Oct/10.

Charity Commission (2010) Helping charities through the Economic Downturn. http://www.charity-commission.gov.uk/Charity_requirements_guidance/Charity_governance/Managing_resources/economic.aspx, accessed on 10 Aug/10.

ChildFund (2005) Understanding Children's Experience of Poverty: An Introduction to the DEV Framework. http://www.childfund.org/media/publications/program_docs/Children_and_Poverty__Voice_of_Children_-_Experiences_and_Perceptions_from_Belarus,_Bolivia,_India,_Kenya_and_Sierra_Leone.aspx, accessed on 17 Oct/10.

Collins, J. (2006) Good to Great and the Social Sectors. London: Random House Business Books.

Fowler, A. (2008) Connecting the Dots, Complexity thinking and social development. *The Broker,* Issue 7, April 2008.

Guidestar (2009a) Down but Not Defeated: Results of GuideStar's Eighth Annual Nonprofit Economic Survey. http://www2.guidestar.org/rxa/news/articles/2009/down-but-not-defeated-results-of-guidestars-eighth-annual-non-profit-economic-survey.aspx, accessed on 10 Aug/10.

Guidestar (2009b) Glass Half Full or Half Empty? Results of GuideStar's Latest Non-profit Economic Survey. http://www2.guidestar.org/rxa/news/articles/2009/glass-half-full-or-half-empty.aspx?source=aug09nwsltr, accessed on 10 Aug/10.

McPeak, M. (1999) How Should an International NGO Allocate Growth? A Growth Plan for PLAN International. *Non-profit Management and Leadership,* 10 (2).

McPeak, M. (2001) Tackling Fragmentation and Building Unity in an International Nongovernmental Organization. *Non-profit Management and Leadership,* 11 (4).

Moyo, D. (2009) *Dead Aid: Why Aid Is Not Working and How There is a Better Way For Africa.* London: Penguin Books Ltd.

Roche, C. (2010) Promoting Voice and Choice: Exploring Innovations in Australian NGO Accountability for Development Effectiveness. http://www.acfid.asn.au//resources/docs_resources/Promoting%20Voice%20and%20Choice%20ACFID%202010.pdf, accessed on 7 Oct/10.

United Nations Department of Economic and Social Affairs (2010), The Millennium Development Goals Report 2010, http://www.un.org/millenniumgoals/pdf/MDG%20Report%202010%20En%20r15%20-low%20res%2020100615%20-.pdf, accessed on 17 Oct/10.

Uvin, P. (1995a) Fighting Hunger at the Crossroads: Paths to Scaling Up. *World Development*, 23 (6), 927-939.

Uvin, P. (1995b) Scaling Up The Grassroots and Scaling Down the Summit: The Relations Between Thrid World Nongovernmental Organisations and the United Nations. Third World Quarterly, 16 (3), 495-512.

Uvin, P. and Miller, D. (1996) Paths to Scaling Up: Alternative Strategies for Local Nongovernmental Organizations. Human Organization, 55 (3), 344-354.

World Bank (2000) Voices of the Poor. http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/0,,contentMDK:20613045~isCURL:Y~menuPK:336998~pagePK:148956~piPK:216618~theSitePK:336992,00.html, accessed on 7 Oct/10.