
Capacity Building of Nonprofit Organizations in the Growth Stage at Papua Pesat Foundation (An Action Research Based on the SSM)

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Abstract

This research aims at analyzing the capacity building of a nonprofit organizations (Papuan Pesat Foundation) in the growth stage, by analyzing six internal components and four external components. The research used an action research based approach based on the soft systems methodology that consists of two activities that had were carried out simultaneously. The two activities were research interest and problem solving interest (McKay and Marshall, 2001), which fulfilled the criteria of being systematically desirable and culturally feasible Brothers and Sherman (2012)'s theory that postulates that there are six internal components that should be strengthened in the growth stage, that include leadership, organizational culture, the role of the board, programs extension, management and infrastructure, financial sustainability. Subsequently, according to De Vita, et. al. (2001) there are four external components of an organization that should be maintained which include the social demographics, the economy/market, the politics and values, and the norms. Research findings showed that with regards to research interest, the organization should be equipped with transformational leadership, simple organizational structure design, and improvement in the role board plays. With respect to problem solving interest, findings showed the need for extension of working programs through a better formulation process, human resources management, and organizational financial sustainability. Subsequently, external components that should be established include the collaboration among nonprofit organizations, local government, the private sector, business activities, political participation and public relations.

Keywords: action research, capacity building, growth stage, non-profit organization, soft systems methodology

INTRODUCTION

Today, the public sector, Non Governmental Organizations and nonprofit organizations play an important role in the development process (Nikkhah and Redzuan, 2010). Since the 1980s, civil society / Non-governmental organizations (NGOs) have been playing an increasingly important role in producing and providing both public goods and services to the community (Killian and Eklund, 2000). NGOs dynamics are starkly different play are very NGOs are encouraged to participate actively in policy formulation at both national and international level, provide advocacy for local regulations, and put pressure on governments based on international alliances that fund their operations (Weller, 2005).

In Indonesia, the growth of NGOs has experienced marked growth in the aftermath of the ouster of the "New Orde" regime in 1998. The number of the civil society organizations, including NGOs in Indonesia has increased substantially. According to Antlöv, et al (2009) cited in Jordan and Van Tuijl (2009), there are tens of thousands of civil society organizations in Indonesia today. However, it is difficult to ascertain the precise number of NGOs in Indonesia because only NGOs that are legal entities, usually foundations, are required to report their existence to Indonesian authorities.

A regulation on foundations that is based on Law No 16/2001, which was subsequently revised by Law No 28/2004 on foundations, was expected to provide legal certainty to the existence of foundations. This was through its contribution to the achievement of various objectives that are social, religious, and humanitarian in an accountable, transparent, effective and efficient manner. That way, foundations would be conduits for profit making or an avenue for businesses for founders and builders (Susanto, et al., 2002; Jordan and Van Tuijl, 2009).

However, the rapid growth of NGOs and the existence of regulations on foundations, has not led to an improvement in the professional management of NGOs. The experience by Kusumahadi (2014) gained while assisting about 215 NGOs in Indone-

sia and involvement in NGO forums in ASEAN, in general corroborated that conclusion. Kusumahadi (2014) went on to note that with respect to the management of NGOs in Indonesia, it is relatively weak compared to NGOs in the Philippines and Thailand, in general. Jordan and Van Tuijl (2009) by citing various academic research results, among others, Discourse (1999); Ibrahim (2003); PIRAC (2002); Hadiwibata (2003); Stanler, et al (2003); And Sidel (2004), reached the same conclusion, and summarized a number of weaknesses of NGOs in Indonesia to include lack of both managerial and organizational skills, being elite and micro-oriented, the dominant role of founders and leaders in taking almost all decisions, workers lacking the skills in their respective fields, the lack of inter-NGO coordination, and lack of transparency and accountability.

Responding to the problem, the Papua Integrated Village Service Foundation (*Pesat*) attempts to strengthen its capacity which should enable it to both manage and encourage societal growth and changes occurring today. In future, the expectation is that *Pesat* Foundation will grow to become a mature organization by achieving its vision of contributing to the development of Papua population. Although capacity building and development is not easy to accomplish, based on the work by Brinckerhoff (2012), the existence of well informed organizational boards can contribute to the improvement in activities that foster the growth of the organization, and in turn the population it serves. Growth of an organization can only be achieved if and when its leaders undertake capacity building activities.

This research is very different from previous research on the topic. The main difference lies in the focus of this research, its perspective, research methods, and research objects used. With respect to the focus, this research concentrates on capacity building efforts of nonprofit organizations that relate to the existence of organizational life cycle, especially at the (early) growth stage. In light of that this study provides a thorough understanding of how nonprofit organizations develop their capacities during

the growth stage, which has characteristics that are markedly different from those of other stages. By focusing on the growth stage, this research was able to concentrate on the components an organization need to enhance its development in order to create both the efficiency and the effectiveness that is vital for generating innovations (Connolly and York, 2003; Brothers and Sherman, 2012). To that end, providing good and proper solutions to problems requires an approach that identifies and determines problems carefully.

This research used an action research approach based on the *soft system methodology (SSM)* to obtain answers that fulfill the research interest and the problem solving interest simultaneously (*dual imperatives of action research*) (McKay and Marshall, 2001). The basic idea of SSM is that real-world situations that are explored are all about human activity systems, in which the writer can choose one or more relevant human activity systems (Hardjosoekarto, 2012). While the object of the research is the Papua Foundation Services Village Terpadum (Pesat), a foundation that has been operating in Papua for many years.

Questions in this study are divided into two parts, namely those on the research interest and those that relate to the problem solving interest. Questions for the research interest are: (1) How is the leadership style process changing in Papuan Pesat Foundation? (2) What is the process of forming organizational cultures inside Papuan Pesat Foundation? (3) What is the process of improving the role of the boards in Papuan Pesat Foundation? Meanwhile, questions for the problem solving interest are: (1) How is program expansion done in Papuan Pesat Foundation? (2) What is the process of establishing management and infrastructure establishment in Papuan Pesat Foundation? (3) What is the state of financial sustainability in Papuan Pesat Foundation? (4) What are the implications of social demographics for Papuan Pesat Foundation? (5) What are the economic/market environment implications for Papuan Pesat Foundation? (6) What are the political environmental implications of the Papuan Pesat Foundation? (7) What are the environmental implications of

community values and norms for Papuan Pesat Foundation?

Today, the use of the term capacity development is no longer limited to public and private sectors, but has become common in the nonprofit sector, making it universally accepted. Today, there is a lot of extant literature on capacity development in the context of nonprofit organizations or NGOs (DFID, 2006).

Barbara Kibbe as cited by Light (2011) notes that the capacity of a nonprofit organization lies in its ability to define missions meaningfully, to generate both the tangible and intangible resources to actualize its missions, to deploy the resources efficiently, and to get work done properly. Meanwhile, McKinsey & Company (2001) contend that capacity building aims at enhancing the ability of individuals, organizations, and systems to perform functions in order to achieve the missions and goals effectively, efficiently, and sustainably. The capacity of an nonprofit organization is necessary in order for it to undertake its mission related activities. Nonetheless, organizational capacity is absolutely not the same as organizational effectiveness. The interest of funding agencies is in seeing that organizational management, governance, and leadership are linked to organizational effectiveness as reflected in wider social impact (Hudson, 2005; Light, 2004a; Lets, Ryan & Grossman, 1999; Kibbe, et al, 2004; Letts, et al. , 1999; McKinsey & Company, 2001).

The concept of organizational growth or what can also be referred to as the stage of infrastructure development is an area that has attracted interest for organizational theories in this decade (Adizes 1979, 1989, Downs, 1967, Greiner, 1972, Hanks, et al., 1993; Miller and Friesen, 1984; Penrose, 1952; Quinn and Cameron, 1983 in Lester and Parnell, 2008). According to Jones (2004), organizational growth is defined as a stage in an organization's life cycle (organization life cycle) at which it is able to develop values, create expertise and competences to acquire or obtain additional resources. Thus, growth enables organizations to improve job sharing and specialization, whilst developing competitive advantage as well. Once the organization is able to obtain

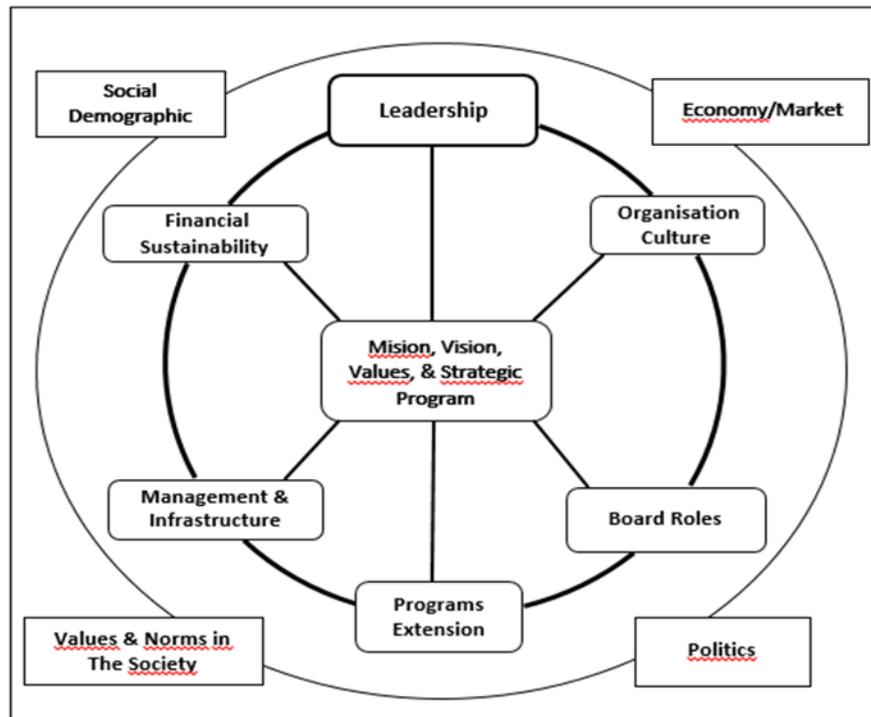


Figure 1. Capacity Development of Nonprofit Organizations on the Growth Phase

Source: Adapted from Brothers and Sherman (2012) and De Vita, et al (2001)

resources, it is then able have the requisite conditions to achieve growth and development. This is an the notion that Brothers and Sherman (2012) postulated in their definition of organizational growth as a significant extension of the provision of programs, community services, provision of premises, operating budgets, and the like.

Components of nonprofit organizational capacity building at the growth stage or also known as the stage of infrastructure development used as a reference in this study are based on an elucidation by Brothers and Sherman (2012) which specifically outlines the six internal organizational components that should be managed and developed by nonprofit organizations. The six internal organizational components include, leadership, expansion of programs, management and infrastructure, financial sustainability, board roles, and organizational culture. Meanwhile, external components of non profit organizations used in the model were developed by De Vita, et al (2001), and consists of four components, namely;

social demographics, economic/market conditions, politics, and values and norms of society. The various components of capacity development for non profit organizations at the stage of growth are depicted in Figure 1.

According to Wolf (2012), a nonprofit organization can be defined as an organization whose primary mission is to serve the community. Nonprofits are not established to pursue profits and corporate charity. The United Nations Developments Program (UNDP) in 2011 defines NGOs, as a form of nonprofit organization, voluntary and non-profit-oriented community groups, organized at either local, national, or international levels.

RESEARCH METHODS

This research uses constructivism paradigm Meanwhile, the approach this study used is the action research based on the Soft Systems Methodology (SSM) which consists of two types of activities in a dual cycle

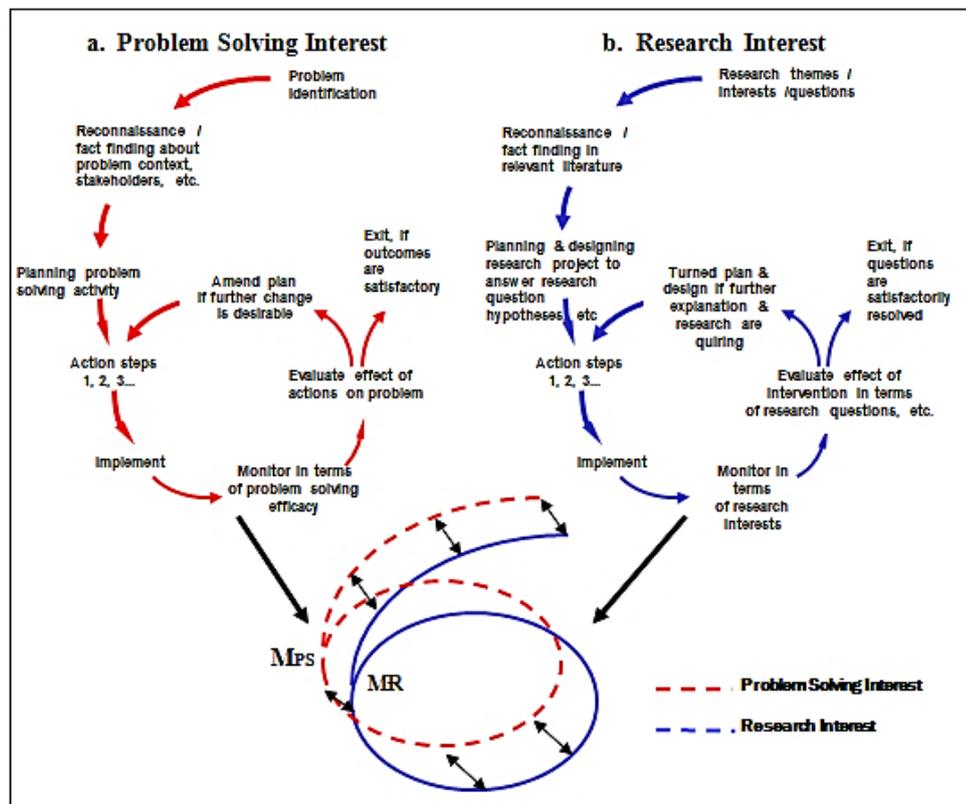


Figure 2. The Dual Imperatives of Action Research

Source: McKay dan Marshall (2001)

process, that is (i) action research cycle based on the problem solving interest and (ii) action research cycle based on the research interest. The two activities are interconnected with each other (McKay and Marshall, 2001). Figure 2 describes the two cycles as elucidated by McKay and Marshall (2001)

Generally, the implementation of SSM involved seven stages as depicted in Figure 3.

DISCUSSION AND RESULT

Explanation of the Problem Situation

This section describes the formulation of the problem. According to Checkland (1990) three types of analysis should be done, interalia:

Introduction of the Problem Situation: Analysis One

Analysis one or the analysis of interventions identifies actors that exist in the real world serve as references, as well as play their roles in the real world. The first stage of the application of SSM entails formulating the problem situation Papuan Pesat Foundation faces from a real world view. Subsequently, definition of C (Clients), P (Practitioners), and O (Owners of the issue addressed).

Introduction of Problem Situation Analysis Two (Social)

Checkland and Poulter (2006) describe the three social elements that consist of roles, norms, and values. The three social elements are closely related, dynamic, and constantly changing over time as the real world changes. Based on that framework, researchers conducted a social system analysis of the existing system in Papuan Pesat Foundation.

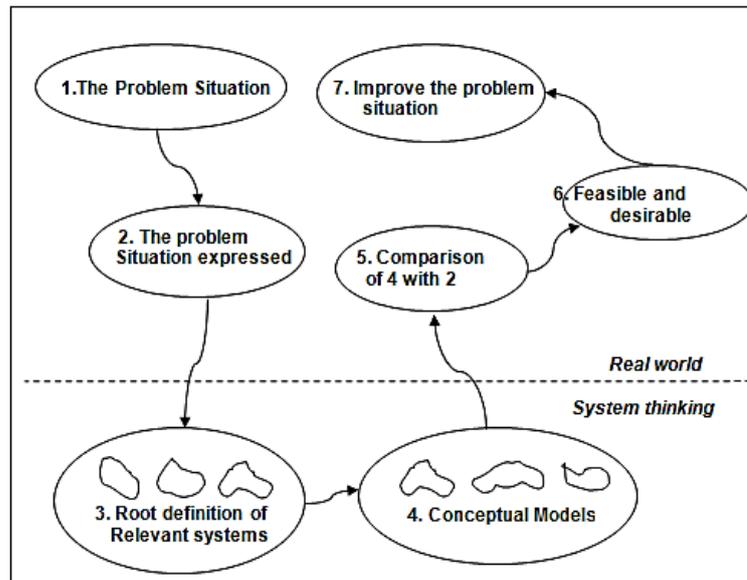


Figure 3. The Basic Cycle of the SSM
 Source: Checkland dan Poulter (2006)

Roles

Roles are social positions that mark differences among group members or organizations. Group members in a foundation comprise Trustees, Supervisors, and Management (at least consisting of a chairman, a secretary, and a treasurer)

Norms

Norm is the expected behavior associated with the role. Thus, the definition of norm here is related to the various provisions of the roles and responsibilities that must the coach, boards of trustees, administrators, divisions, implementing units, and branch administrators that exist in Papuan Pesat Foundation are expected to do.

Values

Values are standards or criteria to be applied in in role behaviors Papuan Pesat Foundation values are based on the Values in the Bible.

Introduction of Problem Situations: Analysis Three (Politics)

The political analysis identifies the problem situation that has been formulated, including the political situation. This analy-

sis has always been a key determinant of the success of Yayasan Pesat. Some of the components that need attention in this analysis are: (1) related to roles: personal charisma, membership in various commissions, regular access to power holders; (2) related to the knowledge-based setting (knowledge-based setting): t intellectual authority and reputation, the reputation of making meeting reports; (3) in relation to information authorities: having access to important information, having access to important information (Hardjosoekarto, 2012).

Comprehensive Picture

Compilation of a Comprehensive picture requires three roles that serve a reference during the process of developing the image. First, a person or a group of people that are charged with the responsibility of conducting an investigation and implementation of the intervention (client); secondly, a person or a group of people who conduct an investigation (practitioners); thirdly, , the owner of the issue addressed or the issue owner. The issue owner holds an important role in presenting the research investigation.

Based on information obtained from informants, the following are the results of

construction of the ideas of the problem situation obtained the actors in the ten components of capacity development of Papuan Pesat Foundation at the stage of growth.

The first component is leadership, supervisor, and chairman of the foundation, whose compensation has not been optimal in line with changes in the foundation at the stage of infrastructure development. The leadership style used by the leader, especially the coaching board, is still charismatic, singular, and informal or purposeful entrepreneurial (PaEi) style, which is characteristic of the basic leadership style or back to the basics.

The second component is organizational culture. Organizational culture values in Papuan Pesat Foundation are still predominantly informal, hence have yet to be formalized. This is despite the fact that foundation is currently experiencing significant development.

The third component is the role of the council. At the age of sixteen, Papuan Pesat Foundation has only one coach, who is also the founder of the Foundation. This is despite the far flung spread of programs and geographic coverage of services of the foundation. The number and quality of existing staff is growing, and activities that are carried out by the founder himself have increased.

The fourth component is the expansion of the program. Papuan Pesat Foundation has been working on expanding its work programs. To that end, its work is not only limited to developing programs in the field of education, but also programs in spiritual, health, information media, and business and economic development. However, the formulation of the expansion of new programs has lacked good planning, such as using SWOT analysis (Bryson, 2004; Daft, 2007; Chaston, 2011; Alison and Kaye, 2013), creating logical models (Tschirhat and Bielefeld, 2012; Brothers and Sherman 2012), and conducting validity assessment of new programs prior to execution (Brothers and Sherman, 2012). Consequently, the implementation of some of the new programs has faced difficulties. However, lack of sufficient funds to implement new programs has also played a role in undermining program

expansion.

The fifth component is management and infrastructure. During its sixteen-year working span, Pesat Foundation has been working on improving skills of its staff. Foundation coaches pay a great deal of attention to this. Based on decisions of the coach, those members of staff who are considered to have high potential are offered opportunities and scholarships to develop their knowledge and skillsets through undergoing formal and informal education. They are sent to universities for master degrees, even doctoral level with the expectation that upon completion of their studies members of staff will contribute to improvement and development of the foundation. However, based on study findings, it is worth noting that leaders still have weaknesses in organizing, retaining existing staff to ensure that they work on activities they have expertise in as well as remain as workers of the foundation. Although some of foundation staff who are offered education opportunities or study can work outside the Pesat Foundation, they are expected to continue to assist in ensuring the progress of the foundation. Thus, to overcome this problem, existence of good human resource management (MSDM) is an imperative. With regards to using IT (Information Technology), study results showed that the Foundation has achieved marked progress. IT use in forms of personal computer units and Internet information networks, is not only limited to managing data and information, performing administrative service tasks, publishing and assessment reports on the existence and development of foundation activities to donors, governments and periodical interaction with the wider community by foundation staff personal to, but is also used in providing teaching services to children right from primary school to high school. Meanwhile, as regards communications with the public, in this respect the community, local government, and donors as a means of accountability of the progress of for activities of the foundation in order to enhance their voluntary support to programs that implemented by the foundation has been running well.

The sixth component is financial sus-

tainability. Pesat Foundation has yet to succeed in securing sufficient finance it needs to finance all its program activities, recruiting new administrative staff, and expanding the working space. Donations from institutions and individuals are still the main source of funding for Pesat Foundation. . Efforts to diversify sources of funding by strengthening foundation businesses, providing services, and obtaining government assistance have not been successful.

The seventh component is the social economic condition. Social economic condition in Papua is still characterized by being complex, widespread underdevelopment and lagging in many socioeconomic indicators.. Overcoming such conditions requires collaboration across sectors and stakeholders. However, collaboration between Pesat Foundation and other foundations, local government, private sector, and partners to reach and serve rural communities in f Papua has yet to achieve expected results. That said, strengthening collaboration is required if differences that hamper cooperation are to be identified, explored and addressed. Achieving that will ensure the emergence of constructive and mutually beneficial solution to cross cutting programs that have hampered progress so far.

The eighth component is the condition of the economy/market in Papua that is still very poor and underdeveloped hence unable to support foundation's activities financially, and difficulties in creating business activities that can generate financial benefits that are sufficient to pay for the rising number of variety of operational costs of the foundation. Pesat Foundation has created and developed business activities. However, revenues from such activities often have not paid for operational costs. To that end, from the vantage point of paying for operational costs of the foundation, revenues from business activities still pale starkly if compared with donations. The ninth component is politics. Pesat Foundation has never been involved in any decision-making/policy through Musrenbang activities or through other forms of political participation, such as lobbying and negotiations, conducting discussions and communications with political/administrative officials. Failing to do so has

denied the foundation the foundation the opportunity to provide inputs for the creation of Government policies that are based on people's aspirations hence contribute to improving the welfare of people inland Papua. This has been due to the failure of the local governments to provide to the foundations the opportunity to participate in every stage of Musrenbang or other political activities, such as lobbying and negotiating.

The tenth component are the values and norms of society. The values or customs and norms that apply to rural Papuans are not able to create conditions that are conducive to for improving the position of women and children in the family structure, especially in educational activities (UNDP, 2005; Team Sintese, 2006, ILO -EAST, 2011; Bhakti and Pigay, 2012). Therefore, changing the status quo requires an intensive and sustainable public relations exercise to influence and change the world view of life of the community. In this regard, the Foundation has been successful in its public relations to such an extent that inland Papuan people today are aware of the important role of education in their lives and for the future of their children.

Analysis of Components of Nonprofit Organization Capacity Building at the Growth Phase . The analysis is based on Figure 4 that describes Capacity Building of Pesat Foundation at the growth stage.

Thus, this section describes each component of capacity building of a nonprofit organization at the growth stage (Yayasan Pesat Papua):

Leadership

To overcome the problem situation in the leadership of the foundation, the board of coaches and chairmen must be able to adopt transformational leadership style. Alternatively, the foundation may appoint a new leader (board member of the coach or executive director) who has a transformational leadership style to complement the current -existing leadership style.

Organizational Culture

The culture of the organization in Pesat Foundation at the growth stage has not been developed to its maximum potential,

work done, which is one of the motivations for workers to remain as employees in the foundation. . With respect to IT use, the foundation has achieved marked progress. Meanwhile, as regards communication with the public(community, local government, and donors) as a means of accountability for the progress of foundation activities as an avenue to maintain and increase voluntary support for program.

Financial Sustainability

Pesat Foundation has so far failed to mobilize sufficient financial resources required to finance all its program activities, recruiting new administrative staff, and widening its working space. Donations from institutions and individuals still constitute the main source of finance for the foundation. This is because efforts to diversify sources of financial support by establishing businesses that produce goods and deliver services have not succeeded to replace the contribution that donor funding makes to organizational operational costs..

Social economic condition

The social conditions in are still characterized by underdevelopment and complexity. To overcome such conditions requires collaboration. That said, collaboration which Pesat Foundation forged with other foundations, local government, private sector to establish partnership to reach and serve rural communities in have not yielded expected results. Moreover, such collaboration has been largely informal. To that end, there is need for formal collaboration to explore and address existing differences as a necessary and important step in creating mutually beneficial and equitable solutions for all. .

Economy/Market

Economic condition in in Papua are still plagued by underdevelopment and high poverty incidence. Such conditions can not be an important and sustainable source of financial support for activities of the foundation, which have been increasing in number and variety. Moreover, the increase in activities of the foundation have led to an increase in operational costs , meaning that there is need for an increase in the quantity and diversity of funding sources. . Efforts

by Pesat Foundation to establish business activities that produced goods and services for sale to the local community have not been successful in increasing revenue for the foundation. Donations, still remain the main source of funding for activities of the foundation.

Politics

Pesat Foundation has never been involved in any decision-making/policy through Musrenbang activities or other forms of political participation, such as lobbying and making negotiations, conducting discussions and communications with political/administrative officials, which are channels that can help it provide inputs into government policies that are tailored toward improving the welfare of inland Papua communities. Moreover, local governments in Papua have not provided access to the foundation to participate in stages of Musrenbang or other political activities such as lobbying and conducting negotiations.

Values and norms in the society

Values and norms of Papua society. Values or customs and norms that adhered to in rural Papuans cannot create conducive conditions for improving the position of women and children in the family. This is especially so in the realm of education activities (UNDP, 2005; Team Sintese, 2006, ILO -EAST, 2011; Bhakti and Pigay, 2012). Changing such conditions, thus, requires establishment of an intensive and sustainable public relations exercise that has the ability to induce changes in the world view of the population, and life in the community. Fortunately, the foundation has an effectively managed public relations program that has been successful in increasing awareness of many inland Papuans about the importance of education in lives of the adult population and the future of their children. All study findings on Capacity Building of Pesat Foundation's at the growth stage are illustrated in Figure 5.

CONCLUSION

Results of this study underscored some important points. Regarding research interest, building capacity of nonprofit organizations at the stage of growth requires over-

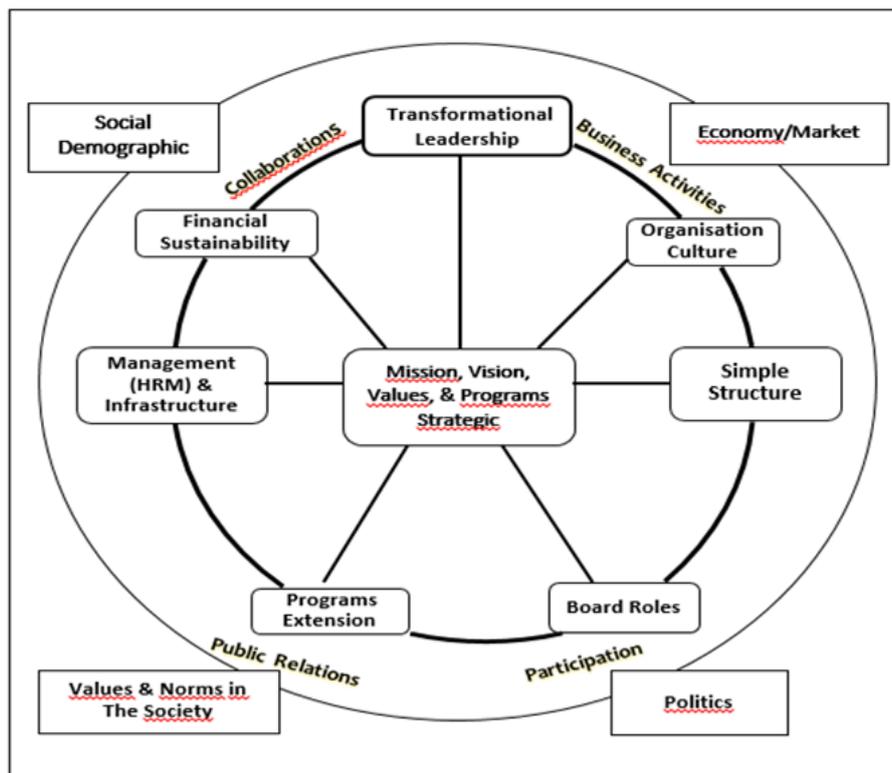


Figure 5. Construction generated in the context of the Nonprofit Organization Capacity Development Research in the Growth Phase at the Papuan Pesat Foundation

hauling the theory, which underpins existing management style to transformational leadership and simplifying organizational structure. With respect to solving the problem solving interest, capacity building of nonprofit organizations at the growth stage must revisit their human resource management, collaboration, business activities, participation, and public relations (PR) functions and practices. With regards to methodology, this study contributes to SSM based action research methods with two categories, that is research interest and problem solving interest to solve problems in capacity building of nonprofit organizations

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