

External Consulting: an Irreplaceable Strategy for Optimising Legitimisation, Fundraising, and Innovation of Private Organisations involved in Environmental Policy

Nicolas D. Hasanagas¹ and Alejandra Real T²

1 University Goettingen, Institute of Forest Policy and Nature Conservation, Buesgenweg 3, 37077 Goettingen, Germany; email: nhasana@gwdg.de

2 University Goettingen, Institute of Forest Policy and Nature Conservation, Buesgenweg 3, 37077 Goettingen, Germany; email: areal@gwdg.de

Abstract

External consulting improves legitimisation of board decisions, fundraising, and innovation in private organisations involved in rural environment issues. External consultants are expected to be more effective than internal expert groups in these functions. We argue that the external consultants serve as a quite effective bridge between an organisation (e.g. environmental NGO, industry federation or landowner association) and its institutional, social and economic environment. Thus organisations are advised to complete the employing of permanent internal expert groups with flexible external consulting. The quantitative findings are based on a survey carried out in 2002-3. Theoretical assumptions of Management Sociology (regarding legitimisation) and Organisational Sociology (resource dependence theory regarding fundraising and innovation) are employed in order to explain the results. We also argue that fundraising and innovation mutually favour each other, while both of them favour legitimisation of internal decision-making in high-centralised organisations.

High-centralised is an organisation when it has many members, small board with long term of office, rarely calls general meeting of all the members, and when in this meeting only a few members participate. Fundraising has been operationalised as the number of alternative financing sources that an organisation may use (national governmental programs, international governmental programs, sponsorships, occasional donators, capital investments). Innovation has been here plainly defined as the number of new projects in which an organisation was involved in the last two years. An innovative organisation opens up various resources in its environment like new partnerships and contacts that lead to greater resonance in the social and/or institutional environment of the organisation, and new fundraising sources (economic environment). All these social, institutional and economic resources can in turn make the organisation more innovative and further improve the legitimisation of its internal decision-making even under conditions of high centralisation, as long as the members recognise the board as effective.

2 Introduction

We will argue that employing external consultants improves fundraising, legitimisation of decision-making within a highly centralised organisation, and innovation. Simultaneously, external consulting does **not** seem to be replaceable by internal multidisciplinary working groups (internal intellectual capital), because only external consultants can optimally serve as an over-bridge between the internal organisational elements (internal tradition, culture) and the dynamic environment of the organisation, and thereby contribute to the organisation's survivability.

Theoretically, we try to explain the strong relation between the external consulting and the internal centralisation of an organisation on the basis of an assumption of Management Sociology: namely, external consultants are supposed to function as a 'neutral voice' in the organisation, and thus they find stronger acceptance. In this way they improve the legitimisation of the decision-making in high-centralised organisations. This neutrality should be expected from external consultants rather than from internal professionals. We also try to explain the relation of external consulting to fundraising and innovation based on the Theory of Resource Dependence: namely, that an organisation is mainly based not on its own resources but on resources that it

should recognise and use in its environment. In the exploration and using of the resources the external consultants seem again to be more effective than or at least not replaceable by internal multidisciplinary experts. The above assumptions of Management Sociology and the Resource Dependence Theory seem to find verification only in the case of external consulting and not of the internal professional groups of an organisation.

We will also argue that fundraising and innovation strengthen mutually each other and both of them strengthen the legitimisation of the decision-making within the organisation.

Methodologically, our findings were derived from a survey which covered 8 EU countries¹ in 2002-3 and was carried out by the University of Goettingen (Germany). 90 associations were surveyed which were involved in rural-environment policy issues. These associations varied from industry federations, through landowners to environmental NGOs.

3 Results and discussion

According to the findings (table 1), associations seem to require external consulting, *when* they are highly centralised (centralisation is explained below in this section). Simultaneously, the external consulting seems to be significant for fundraising and innovative planning, while it does not decrease by employing internal intellectual capital (internal multidisciplinary groups) in organisations (see statistical insignificance on table 1). This may be attributed to the fact that internal expert groups – even multidisciplinary – are integrated in the organisational decision-making and fixed on the established organisational culture (traditional priorities, ideas and methods). Thus, they cannot fully replace external consultants in internal legitimisation, fundraising, and innovation.

According to other findings of this research which are here not analytically presented, it is also noticeable that non-profit groups (environmental groups) are more likely to employ external consultants than the industry federations and trade unions, though the former simultaneously employ larger multidisciplinary working groups than the latter. This implies that the internal intellectual capital of an association cannot replace external consulting.

Table 1. Correlation between external consulting, centralisation, fundraising, and innovation (pearson test)

	Significant	Insignificant	Innovation (number of new projects initiated in last two years)	Internal intellectual capital (multidisciplinary working groups)
	Centralisation	Fundraising (alternative financing resources)		
Times of employing external consultants annually	,253	,235	,227	,094
	,018	,026	,035	(insignificant) ,382

3.1 External consultants: A necessity for ‘undemocratic’ organisations

If an industry federation has a *small* board (e.g. 4 members) which has a *long* office term (e.g. over 2 years) and makes decisions without being “disturbed” by too *often* meetings of a *large* general assembly, where all members may participate, and simultaneously manage the resources of as *many* organised members as possible (e.g. annual contribution, influence, human capital of 200 members) then this is a relatively high-**centralised** association. The formula and the query of centralisation is presented in the following table²:

¹ Denmark, Finland, Germany, Greece, Ireland, Spain, Sweden, UK.

² A quite important parameter in this indicator is the relative participation of members in the general assembly, which in our sample of 99 associations in Europe proved to be about 11%. This practically means that the associations can really represent only 11% of the people they say that represent. The rest are only passive supporters. Thus, associations are at average characterised by relatively high centralisation and thus – as one often says – low

Table 2. Measuring centralisation

<p>Centralisation (From 2 to indefinite)</p>	<p>a = number of members</p> <p>BM = number of members in the Board</p> <p>X = office term of the board</p> <p>Y = frequency of General Assembly meeting annually</p> <p>GAM = average number of participants in the General Assembly meeting</p>	$Centralization = X * \frac{a}{BM} + \frac{a}{GAM * Y}$
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Boards of associations, which are characterised by very high centralisation, either because of their rules or of the indifference of their members, seem to require more external consulting. Why? On the one hand, external advice replaces the lack of wide communication that normally is possible only in general assembly (cf. OLIVER/ EBERS 1998); In a general meeting, a wide and free exchange of ideas between members and board can take place. Through a general meeting, board and members are mutually informed about current developments in local community and in market or policy area where they are active (e.g. marketing of environmental-safe products). A plethora of current information and ideas could thus over-bridge the aims of the association with the chances (and/or bottlenecks) offered by the economic, social and institutional environment of the association (cf. STABER 2002). In very highly centralised associations (like associations of several thousands members), general meetings are rare or not practicable at all. So, this wide communication is impossible and the consequent lack of feedback to the board about chances, obstacles and “zeitgeist” can only be outweighed by external consulting.

On the other hand, an external and professional advice is a ‘neutral voice’ from outside; employing external consultants makes the decisions of the board more ‘scientific’, ‘professional’ and thus ‘legitimate’ (see Sociology of Management readings, FAUST 2002, p.21). Centralised decisions can find in this way a better resonance by the members (and external partners as well). In case of undesired results, the board can argue: *‘The external consultants have advised us to do so and this was the only possible solution...’*. Internal expert groups are also subject to the control and the evaluation of a general meeting. Moreover, they are very easily contactable by the members and can be influenced by personal interests. Thus they cannot achieve the optimum combination of legitimisation and flexibility which the external experts achieve.

3.2 External consulting for more effective fundraising and innovation

- Fundraising

External consultants improve fundraising as they connect the organisation with its economic environment. In contrast to internal expert groups who may be committed to established traditions and have a narrow scope of fundraising tactics and contact points, external consultants can easily introduce new ideas into an organisation board. The economic environment of an organisation is not restricted to its narrow local framework where the organisation has its headquarters. Even a local loggers’ organisation of a small rural community may find out new financing sources in international governmental institutions (e.g. they may participate in training programs financed by the EU or sponsored by a multinational company). Similar chances exist for local NGOs which may gain sponsorships or governmental financing e.g. for activities related to natural-aesthetic values, culture, eco-tourism etc.

Diverse financing resources are necessary for the stability of an organisation. Apart from the contribution of the members, an association has the chance and the need to open up several

‘democratisation’. Nevertheless, this is a general phenomenon which should be attributed to indifference of the members rather than to the rules of the association.

alternative financing resources in its environment. These can be e.g. financing of applied research projects which often interest industry federations, compensations for environmental measures adopted by unions of enterprises, sponsorships, individual supporters for environmental groups etc. In our survey we have operationalised and listed these alternative sources as follows: national governmental sources, international governmental sources like EU, UN etc., international NGOs like WWF, members, stable sponsors, occasional donators, capital investments, other sources.

The assumption here is that the environment of an organisation does not force it into a situation in which no choice is possible; the environment is “big” enough to always leave further potential fields of action (Resource Dependence Theory, s. HALL 1996, p.289). The organisation should simply be able to recognise and use existing resources in its environment. External consultants have proven to be of eminent importance for finding external financing resources in the economic environment of an organisation. The compensations for landowners who apply agri-environmental measures like afforestation of agricultural areas provided by the EU Common Agricultural Policy are a well-known example of financing resource which is accessible by landowner associations. Another example is the compensations provided for conservation actions by the EU directive “Natura 2000”. In the last case the role of policy and law consultants was of eminent importance in Germany because of the complexity of the German federal system (at least until 2000 it was not clear at all, whether the compensations should be paid by the state governments or by the federal government or by EU instruments like the regulation for support of the rural area). The NGOs have access to a much wider range of alternative financing sources as they have a much wider *strategic choice* in their program (CHANDLER 1962, CHILD 1972). Namely, they deal with a wide range of tasks which are supposed to serve the public interest of their community. Thus, they can adopt its program or interpret its agenda so as to connect them with a very wide range of different governmental programs or private sponsors. And almost every NGO may represent itself as “environmental”. The WWF may convince a governmental organ that it is capable of implementing a project which concern cultural values (including natural monuments as well) and a local educational association may convince a local authority that it can effectively manage an eco-tourism project financed by the local authority. Regarding private sponsors (big enterprises), these are as a rule more accessible by non-profit NGOs because in this way the sponsors have often the chance to reduce their taxation.

The growing labyrinth of financing possibilities in international and national institutions as well as in the global market makes the external consultants indispensable. Consultants of various disciplines who steadily actualise their files e.g. about new research or environmental programs can help an association formulate multifaceted argumentation and successfully apply for grants, compensations or sponsorships.

- Innovation

In our survey we have measured innovation as the number of new projects in which an organisation has participated in the last two years. Activity which is characterised by steady renewal is of great importance for the survivability of an organisation because it reflects the adaptability of the organisation to new conditions (cf. LAWRENCE/ LORSCH 1967). External consultants over-bridge the tradition of an organisation with its dynamic environment. This can not be achieved by internal experts committed to established working methods, “principles” and projects.

In order to increase innovation and by increasing innovation, various resources are found out in the three environments of an organisation (social, economic, institutional). Innovation is connected with fundraising as well as with legitimisation. Through new projects new contacts are developed and new partners appear. These may not only improve the resonance of the organisation in the local community (social environment) or local authorities (institutional environment) but may even lead to new financing resources (economic environment). Simultaneously, the involvement in new activities often makes the organisation more familiar

with new regulations and legal chances to increase its influence. As long as the organisation maintains harmonious relations to social and institutional environment and can effectively use the chances offered by its economic environment, the decisions of the leading organs of the organisation will become more acceptable by the members, even if the board make these decisions without asking them, because the members will recognise its effectiveness. Inversely, through new contacts, financing resources and legal chances the organisation can be involved in further new projects.

By suggesting extensive lists of new projects that an association may involve in and possible new orientations, they improve the afore-mentioned *strategic choice* (e.g. an NGO which deals only with nature protection may also deal environmental education as well or a logger's association which just carry out wood harvesting may also deal with afforestation or wood market etc). Combination of multidisciplinary external consultants and thus the absence of dominance by a single professional ideology encourage the adoption of innovative means and ideas (ZALD/DENTON 1963).

4 Conclusion

We have shown that certain assumptions of the Management Sociology and the Resource Dependence Theory are supported by the findings in the case of external consulting. More precisely: external consultants are valuable for legitimisation of decisions in an organisation, for developing diverse fundraising, and for increasing innovative action of organisation rural environmental policy. This is achieved because external consultants help an organisation find out resources in its institutional, social and economic environment and apparently are more flexible than the internal expert groups. The assumption of the Management Sociology that the external consultants function as a 'neutral voice' and strengthen the legitimisation of the decision-making has been supported by the quantitative findings. Therefore external consulting is strongly recommendable to high-centralised organisation (like large NGOs).

The strong correlation of the external consulting to the fundraising and innovation is also an evidence for the fact that an organisation should and can recognise to large extent its resources in its external environment and survive by using these (Resource Dependence Theory). The external consultants can make a substantial contribution to the opening-up of resources. Innovation and fundraising favour mutually each other, while both of them can favour the legitimacy of the internal decision-making.

Internal experts cannot fully replace the external consultants because they cannot serve as an over-bridge between the organisation and its environment. Namely, internal experts are often strongly committed to organisational traditions and bias about tactics in contrast to external consultants. Thus, external contacts can open up more effectively new ways and recognise new valuable resources in the environment of the organisation because they are more flexible and transfer "new" information. In other words, they can help an organisation adapt itself and survive under new conditions more effectively than internal working groups of experts. Associations are thus strongly advised to complete the employing of permanent internal expert groups with flexible external consulting.

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