

Government–Third Sector Relations: The more things change . . .

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Abstract

Anniversaries provide the perfect opportunity for reflection on how things have changed – or not. Managing accountability, collaborating with other organisations, and the myriad ways in which government funding shapes the behaviour of third sector organisations remain challenges, despite the passage of time and the development of scholarship.

Keywords

Government funding; outcomes; collaborations; competition.

Introduction

Congratulations to all those who worked so hard to establish ANZTSR and *Third Sector Review*. Though no longer the formal mark of adulthood, 21 is an important milestone to celebrate. I felt honoured to be invited to contribute to this edition of TSR, and not a little daunted. I came late to academia from a career in the public sector and involvement with third sector community service organisations (CSOs) as a board member. These intersecting worlds became the focus of my research through an ongoing fascination with the impact on third sector organisations in the context of their changing relationships with government. Now, as a ‘retired’ academic, I have the privilege of continuing to observe, again

largely as a board member, but the editors advise me that this should be an opinion piece rather than a scholarly article.

Accountability

My first appearance in *Third Sector Review* (Baulderstone 2007) focused on accountability to service users, and drew on my PhD research on the shaping of CSO accountability by their relationship with government. In 2016 accountability remains an area in which contractual relationships have an enormous role in shaping CSO behaviour. This is particularly the case in smaller organisations with less diverse funding sources, where accountability to government funders shapes both data collection and reporting. Accountability to service users, then, remains a challenge for many organisations. I am currently privileged to be part of an outstanding consumer engagement process within the South Australian Women's and Children's Health Network, which involves consumers far beyond the more usual feedback mechanisms.¹ While there are contextual differences, there are opportunities for CSOs learn from other sectors.

The call for a greater focus on accountability for outcomes rather than outputs is not new, though successful examples of outcome measurement which enable identification of outcomes at client level in a form that can be aggregated for reporting requirements are rare. There has been a growing interest in approaches to measuring social impact, including social return on investment, and the Social Impact Measurement Network Australia (SIMNA) provides a forum for exchange of ideas in this area.

There is currently widespread support for, promotion of and incorporation into contracts of Friedman's Results Based Accountability™, which also seems to be being conflated with collective impact approaches. As a passionate advocate of the importance of outcome measurement, I would not denigrate the value of this approach to accountability, however there are risks associated with its wholesale adoption which do concern me:

- Community-level indicators may not be available for the expected or desired outcomes in some program areas, or may not be able to be disaggregated to an appropriate geographic level. This risks ‘the tail wagging the dog’, with availability of performance indicators driving the choice of activities. Commitment to increasing access to (primarily) government datasets is promising, though use of such data is often beyond the capacity of CSOs.
- Small and/or pilot programs can struggle to identify appropriate existing data-collection tools and rarely have the resources to develop new ones.
- The timeframes for achieving community-level change, or even to achieve change in individual metrics, are often much longer than the contract period for programs attempting to achieve these changes.
- The emphasis on metrics (indicators and targets) promotes quantitative analysis, potentially diverting energy from identification of less tangible outcomes.
- Application at program or agency level ignores the multiple other factors that play a role in complicated and complex social problems. The incorporation of ‘partners who have a role to play’ in the RBA approach is a nod to this, however in practice CSOs often have little leverage in engaging these players.
- As with any other measurement tool, the extent to which workers perceive the measures are relevant and meaningful to their work will affect the accuracy of any data collection. The elusive ‘sweet spot’ is where frontline workers can collect data, see its significance and use it for practice-improvement. Technology provides opportunities for this to occur, but may be beyond the budgets of many organisations, and the multiple, isolated data-collection frameworks attached to government contracts act against the introduction of consolidated systems.
- The formal codification of results inherent in RBA does not fit with the complexity theories underpinning many social problems.² It may lead to a loss of innovation and flexibility.

- It is important to remember Campbell's Law:

The more any quantitative social indicator is used for social decision-making, the more subject it will be to corruption pressures and the more apt it will be to distort and corrupt the social processes it is intended to monitor.

While celebrating the interest in measuring outcomes, let's not fall victim to the idea of 'one right way'.

The Australian Charities and Not-for-profits Commission

The need for consistent and sector-appropriate regulation was another theme raised in my research. Despite a shaky beginning under threat of abolition, the introduction of the Australian Charities and Not-for-profits Commission (ACNC) has begun to address one of the accountability issues raised by interviewees during my accountability research. Australia's multiplicity of jurisdictions means change is slower than some would like, but it has been positive to see the beginnings of red-tape reduction and a single portal for identifying charities. Whether we will ever get a common definition of charity, however, is less clear.

Relationships between CSOs

Another consequence of CSOs' changing relationships with government was changed relationships between non-government organisations (NGOs). Academic and anecdotal evidence emerged soon after the entrenchment of competitive tendering and contracting of reluctance to share practices and intellectual property as organisations recognised what was in fact a longstanding scenario of competition for limited funds.

In response, collaboration and/or partnership began to be emphasised in many contracts, at times almost appearing to be an end in itself. This was reflected in the requirement to demonstrate the existence of partnerships with other non-profits in supporting the case to be the

winning tenderer, as well as the use of the language of partnership by government organisations when referring to CSOs. This latter sense is perhaps the most frustrating, given the inherent power asymmetry! I have completed a number of evaluations in which collaboration and partnership to achieve outcomes for what were generally referred to as complex clients was a central platform.

‘At the coalface’ effective networking, cooperation and collaboration continue to contribute to the achievement of client outcomes. Such relationships tend to be person-centred, and thus need re-creating when workers change jobs. Formal agreement and/or memoranda of understanding are signed off at senior levels within organisations, and provide a framework for escalation of concerns if all else fails, but may not affect the organisational cultures, practices and norms that act to support or limit genuine cross-agency or cross-program collaboration. Mid-level managers sometimes found themselves caught between achievement of individual budgetary and performance targets, which encouraged program- or agency-level performance, and collaborative behaviour, which may achieve positive client outcomes but no or less local credit. Collaboration itself requires resources, and agencies may struggle to continue to contribute in the face of competing demands, or when there is little evidence of individual return on investment. Failure to keep those with the appropriate decision-making delegation at the table became the downfall of a number of collaborations.

Two articles I authored with Wendy Earles drew on our experience as evaluators with different groups funded under the federal Communities For Children strategy (Baulderstone & Earles 2009; Earles & Baulderstone 2012). The first of these mapped the changes in relationships from partnership-based to market-based, suggesting that transferring the ‘purchaser’ role to non-profit CSOs supported greater flexibility, and although the formal contracting framework did not preclude the development of networks and collaborative relationships, it did not necessarily support them, depending instead on individual relationship management. The second identified challenges of different staff capabilities and different organisational ways of organising when a non-profit contracts the state, but highlighted the importance of access

to social networks of key staff. The model underpinning Communities For Children preceded the current interest in collective impact, and may have useful lessons.

Like ‘collaboration’ and ‘partnership’, ‘collective impact’ has become something of a buzzword, applied to activities and approaches without the conditions outlined in the Stanford Social Innovation Review in 2011 (Kani & Kramer 2011).

Mergers

Drivers of increasing effectiveness, reduction in financial pressures, competitive advantage in tendering and increasing public profile for both the organisation and its agenda remain for many smaller CSOs eleven years after the case study of a merger of three CSOs (Baulderstone et al. 2008). These are supported in some jurisdictions by preferences for fewer contracts with larger organisations. Specialist organisations may emerge which ‘hold’ much of the intellectual knowledge in a particular program area, reducing the potential for future competition for contracts. Alternatively, organisations may diversify into multiple service areas, challenging both leadership and governance, while increasing ‘survival’ capacity in the face of changing government funding priorities.

Alternative Revenue Sources

The existence of alternative revenue sources loosens the dependence of CSOs on government. Traditional philanthropy, whether individual or corporate, remains an important revenue source but is no longer the only alternative to government funding. Growing interest in social enterprise, venture philanthropy and social impact bonds point to a different future that not all organisations are ready to exploit.

Risk and Innovation

The capacity of CSOs to be flexible, cost-effective and innovative – arguably one of the arguments used for outsourcing – has been reduced

in some instances by the constraints of government funding contracts. Short political cycles encourage constant reinvention with little actual innovation; innovation is inevitably accompanied by a risk of failure, and, not unreasonably, public-sector funders are reluctant to expose their agencies to media criticism. An increased requirement for funded programs to be evidence-based, as in the Communities For Children strategy, means that truly innovative approaches cannot be introduced without alternative revenue sources.

The introduction of individualised funding and consumer-directed care, as seen in the National Disability Insurance Scheme (NDIS) and the changes to aged-care funding, has the potential to require radical change within CSOs, as the agenda for what is delivered passes from the agency to the consumer. This creates both an opportunity and a threat to organisations. The experience in pilot sites for the NDIS suggests the importance of cultural change as well as the more practical ones, such as billing systems.

Conclusion

While there have been significant changes in the landscape for CSOs over the past 21 years, many issues remain the same. Systems still operate with friction and tension, and collective interests compete with individualist agendas. If government wants a market relationship with CSOs it risks getting it, with all of the subsequent weaknesses and risks. Even where direct government funding reduces, government continues to create and/or influence the frameworks within which CSOs operate. The expansion of individualised funding, though, suggests organisational accountability to consumers may re-emerge as a focus of interest. I look forward to the ongoing analysis of this and other aspects of the sector in *Third Sector Review* for many years to come.

NOTES

1. See www.wch.sa.gov.au/support/consumer/index.html.
2. For an alternative approach, see Patton (2011).

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