2012

Juggling competing public values : resolving conflicting agendas in social procurement in Queensland

Robyn L. Keast
Queensland University of Technology

Craig W. Furneaux
Queensland University of Technology

Jo Barraket
Queensland University of Technology

XVI IRSPM Conference
Rome, 11-13 April 2012

Juggling Competing Public Values: Resolving conflicting agendas in social procurement in Queensland

By
Associate Professor Robyn Keast
QUT Business School
Queensland University of Technology, Australia

And

Craig Furneaux
Australian Centre for Philanthropy and Nonprofit Studies
Queensland University of Technology, Australia

And

Associate Professor
Jo Barraket
Australian Centre for Philanthropy and Nonprofit Studies
Queensland University of Technology, Australia

Corresponding author: rl.keast@qut.edu.au

Juggling Competing Public Values: Resolving conflicting agendas in social procurement in Queensland

Abstract:
Organisations within the not-for-profit sector provide services to individuals and groups government and for-profit organisations cannot or will not consider. This response by the not-for-profit sector to market failure and government failure is a well understood contribution to society by the nonprofit sector. Over time, this response has resulted in the development of a vibrant and rich agglomeration of services and programs that operate under a myriad of philosophical stances, service orientations, client groupings and operational capacities. In Australia, these organisations and services provide social support and service assistance to many people in the community; often targeting their assistance to clients facing the most difficult of clients with complex problems.

Initially, in undertaking this role, the not-for-profit sector received limited sponsorship from government, relying on primarily on public donations to fund the delivery of services. (Lyons 2001). Over time governments assumed greater responsibility in the form of service grants to particular groups: 'the worthy poor'. More recently, government has engaged in widespread procurement of services from the not-for-profit sector, which specify the nature of the outcomes to be achieved and, to a degree, the way in which the services will be provided. A consequence of this growing shift to a more marketised model of service contracting, often offered-up under the label of enhanced collaborative practice, has been increased competitiveness between agencies that had previously worked well together (Keast and Brown, 2006). One of the challenges which emerge from the procurement of services by government from third sector organisations is that public values such as effectiveness, efficiency, transparency and professionalism can be neglected (Jørgensen and Bozeman 2002), although this is not always the case (Brown, Furneaux and Gudmundsson 2012). While some approaches to the examination of social procurement - the intentional purchasing of social outcomes (Furneaux and Barraket 2011) - assumes that public values are lost in social procurement arrangements (Bozeman 2002; Jørgensen and Bozeman 2002), alternative approach suggest such inevitability is not the case. Instead, social procurement is seen to involve a set of tensions (Brown, Potoski and Slyke 2006) or a set of trade offs (Charles et al. 2007), which must be managed, and through such management, public values can be potentially safeguarded (Bruin and Dicke 2006).

The potential trade-offs of public values in social procurement is an area in need of further research, and one which carries both theoretical and practical significance. Additionally, the juxtaposition of policies – horizontal integration and vertical efficiency – results in a complex, crowded and contested policy and practice environment (Keast et al., 2007),, with the potential for set of unintentional consequences arising from these arrangements. Further the involvement of for-profit, non-profit, and hybrid organisations such as social enterprises, adds further complexity in the number of different organisational forms engaged in service delivery on behalf of government.

To address this issue, this paper uses information gleaned from a state-wide survey of not-for-profit organisations in Queensland, Australia which included within its focus organisational size, operational scope, funding arrangements and governance/management approaches. Supplementing this information is qualitative data derived from 17 focus groups and 120 interviews conducted over ten years of study of this sector. The findings contribute to greater understanding of the practice and theory of the future provision of social services.

INTRODUCTION
There is no question that the not-for-profit (NFP) sector has been a major contributor to the progress that has been achieved in many countries in terms of the delivery of education, health and other social services, which are argued to underpin a more socially inclusive society. Organisations within the NFP sector provide services to individuals and groups that government and for-profit organisations cannot, or will not, consider. This service provision in the face of government failure and market failure therefore acts as a social safety-net. Initially, in undertaking this role, the not-for-profit sector received limited sponsorship from government. (Lyons 2001). Over time governments have assumed greater responsibility through the provision of service grants to particular groups - 'the worthy poor' (Tierney, 1970; Tomlinson, 1977). The 1970s saw a further expansion of the government role and responsibility in terms of delivering and supporting social services (Walsh, 1993). While government undertook the mainstream services of public education, health and urban services, it also engaged in social procurement – the intentional procurement of social outcomes (Furneaux and Barraket 2011). Typically such purchasing has been from the not-for-profit sector.In this way, government has had an arm's length funding arrangement and therefore also an arm's length responsibility for social services delivered via the NFP sector.

The NFP sectors' long and differentiated history provided the foundation for what is now considered to be a vibrant and rich agglomeration of services and programs that operate under a myriad of philosophical stances, service orientation, client groupings and operational capacities. As well as providing an important service arm, it also makes a significant economic contribution to the nation. The NFP sector in Australia is estimated to comprise 8% of the workforce, contribute $43 billion to the national economy and the equivalent of another $15 billion through volunteers (Productivity Commission, 2010; The National Roundtable of Nonprofit Organisations, 2007).

Despite its size, the significance of its social and economic contribution and the funds directed toward its operation, the NFP sector has largely been ignored as a specific target within the overall government reform agenda, apart from the incidental impacts of broader government changes. Recent reform foci, however, have brought the NFP sector to the front and centre of review driven by demands for greater accountability, productivity and efficiency of operation. The concerted effort at both the national and state levels to embed higher levels of accountability into the sector is most evident by the shift to outputs based funding of social procurement (Department of Communities, Service Improvement Measures, 2010). These public values of transparency and efficiency are often held to be at risk in social procurement arrangements (Bozeman 2002; Jørgensen and Bozeman 2002).

It is reasoned that introducing output funding and reporting (and amplified monitoring arrangements), rather than relying on grant or outcomes based funding, will provide greater clarity on what is purchased and delivered. Business and other major donors, for example corporate entities, also increasingly want evidence of the effectiveness of NFP activities and have stated a funding preference for NFPs that can provide robust business cases for the investment they seek (Australian Productivity Commission, 2010). Alongside the aggressive pursuit of accountability a number of policies aimed at strengthening the capacity of the not-for-profit sector (NFP) to deliver services to required performance levels have been introduced by state and federal governments. Central to this reform package are harmonised regulatory processes, the reduction of red-tape and greater transparency (The Third Sector Magazine, 2011; Department of Communities, 2010).

The notions of transparency, accountability, efficiency and effectiveness, listening to public opinion, openness and balancing interests are critical in the social procurement arena (Bozeman 2002). One of the challenges which emerge from these multiple objectives, and the procurement of services by government from third sector organisations, is that pursuit of public values such as effectiveness, and efficiency can neglect other public values such as

balancing interests and listening to public opinion (Jørgensen and Bozeman 2002). Indeed some authors argue that public values are 'lost' in social procurement arrangements (Bozeman 2002; Jørgensen and Bozeman 2002), although other authors suggest such inevitability is not always the case (Brown, Furneaux and Gudmundsson 2012). Instead, social procurement is seen to involve a set of tensions (Brown, Potoski and Slyke 2006) or a set of trade offs (Charles et al. 2007), which must be managed, and through such management public values can be potentially safeguarded (Bruin and Dicke 2006; Brown, Furneaux and Gudmundsson 2012).

Conventionally, NFP organisations have been mostly small in size and largely operate from a voluntary ethos. In recent times, however, as a result of the policy changes which call for more business-like operating models, the social services sector has become increasingly populated by a set of larger NGOs, which are run as businesses (Lyons, 2001; Ryan, 1999). These larger organisations are able to draw on a wider pool of resources and capabilities than smaller organisations and are brought into the mix because of their significant capacity. Additionally, recent research has highlighted the importance of social enterprises, in social procurement settings (Barraket and Weissman 2009). Thus there is a shift to more corporatized and commercial arrangements in the Third sector. Additionally, a recent study of the Australian social services sector indicates that in many service arenas, for-profit organisations now outnumber not-for-profit organisations (Australian Council of Social Services, 2006). It is not clear how these for-profit agencies fare in terms of maintaining public values in social procurement delivery.

The introduction of higher accountability standards, coupled with augmented competitive funding practices has seen large, for-profit providers enter the service space. Coupled with the previous initiatives, and particularly pertinent to the need to expand the public and social housing sector, has been a push toward the voluntary amalgamation of smaller services to secure greater scale and scope of resources and management capacity. Ryan (1999) commenting on the US situation, but equally relevant to Australia, has argued that the continued blurring of the distinctions between NFP and FP organisations will raise questions about whether NFP organisations can adapt to this new and more competitive operating environment without compromising the qualities that distinguish them from government and FP. These institutional arrangements further complicate the multiple objective and complex operating environment for organisations delivering social services procured by government. Drawing on evidence from a suite of reforms in Queensland, Australia, this paper examines the impact of the reform process, in particular the higher accountability requirements and the resulting 'upsizing' of the sector. The tension between different public values is observed, and a discussion of the unintended consequences arising from the complex environment advanced.

The paper begins with a brief overview of the changes occurring within the social service sector in Australia. In the next section the methodology used to analyse case initiatives is delineated. The findings are then highlighted, analysed and discussed. Finally, a conclusion is presented.

THE 'DOWN-UNDER' SERVICES HISTORY
Australia was settled as a convict colony in which a military focused government was responsible for the administration and advancement of the settlement, including the health and welfare of convicts and military personnel (Painter, 1987). As the colonies became more established and increasingly occupied by free settlers and 'native born' persons, social problems such as poverty, disability and dislocation began to emerge (Kewley, 1969).

Since the government at this time assumed little or no responsibility for the provision of social services, it was left to free settlers to make provision for themselves through their own social/familial networks and later through charity bodies and civil institutions. As a result of government inaction, gradually, in the early communities, loose networks of self organising voluntary organisations emerged to cater for the welfare needs of the free settlers. These initial networks of local benevolent societies were complemented by orphanages, refuges for 'fallen women' and infirmaries, and asylums for the mentally ill (Brown and Keast, 2005).

By the mid-1800s, the government recognised the inherent socialising benefits of voluntary institutions and eventually began to contribute small amounts of funding through sponsorship arrangements to those agencies accepting the principle of limited government support and responsibility (Tierney, 1970). Graycar (1979: 21) summarised the arrangement:

Before Federation, social welfare problems were dealt with by religiously oriented charitable bodies, many of which received the sponsorship of colonial governments. The colonial governments saw their role as providing some limited resources to charitable bodies for them to do their 'good works'. There was essentially, very limited government involvement.

Emerging from this social entrepreneurship and arms length government regulation, was an array of small, specialist voluntary organisations, each reflecting its particular area of service interest, mission, and, often, religious denomination. This early pattern of relatively uncontrolled voluntary welfare provision, underpinned by a strong charity ethos and service model (Brown and Ryan, 2003), remained relatively unchanged until the end of 19th century when changing economic and social conditions led to an expansion of people needing and expecting assistance. This situation, coupled with a greater understanding of the causes of social problems and new ways of organising for them, resulted in government authorities accepting higher levels of responsibility for providing citizens with basic social support. As a consequence many of the services previously provided by the voluntary sector were brought under the ambit of the government. While a shift to government was apparent, a continued reliance on the market to produce the necessary share of wealth distribution meant that state provision of services increased after World War Two (Crawford, 1996), with the creation of the 'welfare state'. Accompanying this shift in government welfare provision was an expanded voluntary sector aided, in part, by government grant funding arrangements.

The expansion of the social services domain and budget and the failure of initiatives to address intractable problems led to wide agreement on both sides of the political spectrum that the continuation of the welfare model was no longer economically or morally viable (Emy, 1993). In attempting to rein in the size and cost of the welfare state many government services were subjected to market principles of competition and associated corporative practices. In Australia government (and not-for-profit) human services were initially exempt from the corporatist approach, since at first there were perceived to be few alternative suppliers in the market space and not all services lent themselves to commercial application or clear contract specification (Chalmers and Davis, 2001). In some instances, namely those services involving children and young people, there was also a reluctance based on moral principles to subject this vulnerable group to commercial practices (Chalmers and Davis, 2001). Nevertheless, over time, in many jurisdictions, the use of various aspects and combinations of competitive methods has become an accepted feature of public service delivery including the social/human services (Earles and Moon, 2000).

To counteract the fragmenting impact of competitive service models, both the NFP and government sectors (at all levels), entered into a revised integration phase, grounded principally in horizontal arrangements such as networks and collaborative endeavours (Keast and Brown, 2002; Reddel, 2002; Stewart, 2001) . In a recent twist to the integration reform and accountability agenda, government has turned to an old favourite - amalgamation - as a mechanism to link up 'like' organisations to reduce service administration costs while

still achieving a level of consistency in service provision. Amalgamation is the combination of two or more organisations /units into a new agency or a subsidiary controlled by one of the constituent members (Craswell and Davis, 1993). The benefits of such an approach are duplication and overlap are reduced, through for example shared administration, co-location and closer alignment of outcomes, and thus efficient scale and scope can be achieved.

For the most part, therefore, the not-for-profit sector has been historically exempt from a corporatist reform agenda, save for the indirect impact of reduced government funding. However, increasingly they have become the focus of directed scrutiny in terms of efficient and effective service delivery models and most recently subject to more stringent accountability regimes as conditions of funding. This is due, in part, to the fact that for government, and increasingly business sector funders, the view is that the NFP sector either is not delivering or is unable to adequately articulate the outcomes delivered. Relevant government bodies are frustrated that NFP agencies cannot accept the 'changing economic and business circumstances', which demand evidence of the effectiveness of funding provided (Productivity Commission, 2010). In the shadow of these reforms there is a growing fear by many social commentators that the vibrancy of the NFS, its numerous service foci, service ethos and its social 'watch-dog' function will be limited or lost (Taylor and Bassi, Ryan, 1999; Lyons, 2001). Moreover, it is unclear how these reforms would impact on core public values such as transparency, and efficiency. While these are the intent of the policy reforms, it is argued here that the complexity of arrangements in the sector is likely to lead to unanticipated outcomes.

CASE CONTEXT AND METHODOLOGY
This paper draws on data generated from eight case studies within and across the Queensland government and not-for-profit sectors between 2000 and 2010. These initiatives include: The Government Service Delivery Project; Service Integration Project; Chief Executive Officers' Forum; Reconnect Network; Child-Safety Partnerships; and the Responding to Homelessness Strategy (R2H) (2008). These cases were located at different levels of operation: strategic, administrative/managerial and practice, allowing for variation in perspectives and experiences.

Methodology
A variety of data collection instruments including semi-structured interviews, focus groups and questionnaires (including network linkage survey) were used to construct the cases. The focus and type of questions remained uniform across all cases, enabling comparative consistency to identify both similarities and differences between case programs. The semi-structured interviews tapped into the respondents' expectations and experiences of the reform processes (including integration modes, accountability processes). While the focus groups provided greater detail on respondent experiences. The dynamic interaction made possible through the focus group process allowed for greater disclosure and for opinions to be challenged. All interviews and focus groups were fully transcribed, coded separately by two people working independently and categorised to distil key thematic areas. Leximancer was used as a supplementary textual analysis tool to confirm the manual thematic analysis. Finally, a comprehensive array of documentation (public policy and service reports, evaluations and academic publications) was examined. This mix of data gathering instruments allowed for results to be triangulated, with the findings from one tool testing and confirming the results of others. In total 17 focus groups and over 120 interviews and questionnaires were completed. The resulting rich data set provides the basis for the findings and discussions which follow.

THE SOCIAL PROCUREMENT REFORM PROCESS AND ITS IMPLICATIONS FOR PUBLIC VALUES

A number of implications for the reform process of social procurement and how this affected public values were found. These include accountability and transparency, as well as a number of consequences from 'upsizing' and amalgamations.

Accountability and Transparency

Accountability is a cornerstone principle of government, with government agencies and personnel, including ministers, arguably answerable to the constituency for the quality of funds spent. Accountability is described as "the duty to provide an account …or reckoning of those actions for which one is held responsible" (Gray, et al., 1996:38), and is a key public value which is considered to be at threat in social procurement arrangements (Bozeman 2002; Jørgensen and Bozeman 2002).

Respondents acknowledged the fundamental need for their decision-making processes, actions and outcomes to be subject to clear accountability processes, including transparency of the relationships between funding provided and measurable service outcomes, also suggested that it produces negative as well as positive consequences. As one respondent noted, the former (good works) were often "cloaked in the complexity of the system in which we [service providers] work".

In relation to the positive perspective, NFP service provider agencies mostly agreed that high standards of accountability, transparency and quality assurance were important to the continued good functioning of the sector. It was acknowledged that money from government "... comes with strings attached" and therefore there is an: ".... obligation to perform in terms of the agreement made". The increased demand for accountability and transparency was welcomed by the majority of respondents, as is exemplified in the following statement:
From my point of view, if we are funded to do something then we must do what we are funded for.

This finding supports other which also found that transparency was not automatically lost in procurement arrangements (Brown, Furneaux and Gudmundsson 2012). Some of these people were saying however that they had concerns about the lack of transparency in the accountability processes – that (a) it was never made clear which organisation received which funding, and were responsible for which outcomes; (b) that the complexity of funding arrangements meant there was a lack of transparency in the government processes in terms of the decisions about who got what; and (c) that while the NFP were subject to more accountability, government was not transparent with own processes.
However, for many the object or recipients of this accountability differed from government. For instance, most NFP agencies saw that they were first of all responsible to their clients, not government. It was suggested that this was something that government actors often did not know, or worse forgot or overlooked. Unless this apparent disconnect between the two foci of responsibility is overcome it will be difficult for government to gain commitment to the need for accountability. This raises the question in relation to public values, while transparency is valued; the literature is not at all clear about to which organisations should be transparent.

The finding also points to the potential risks of the imposition of 'corporate' style accountability which requires more onerous reporting obligations that impinge on the limited funds available to agencies to provide services. For many NFP there was a real concern that current policy and service regime is antithetical to social work values. Leat (1988) also cautions that too great an emphasis placed on the limited target count type accountability regimes, without also addressing public benefit outcomes, would undermine the social side of social services delivery and threaten the very values which the NFP sector brings to the service delivery table: independence, flexibility, responsiveness and diversity. As Wapner

(2002: 159) stresses overemphasis on accountability, unavoidably results in not-for-profits that "cease to be effective *non*-government organisations" (emphasis in original). A condition Wolch (1990) has termed as the 'shadow government'.

As well as cynicism about which, how and if outcomes are measured, there was a concern as to whether government is fully aware of the outcomes achieved. In one service network that had operated over a number of years, a view was expressed that government failed to recognise the good work that had been done in the past and the outcomes of earlier integrative arrangements. There is a palpable sense of disappointment and irritation by many NFP agencies that their 'good work' is not acknowledged and that they now must use scarce resources to account for what they have produced. This view was encapsulated with: "we have never had to 'show cause' to this level before: it is like we are not trusted". Accentuating their discontent are the multiple reporting and accountability requirements necessary for different funding streams and levels of government and the lack of funding to assist with this task. Thus while transparency is a value, the way in which transparency is being required of the sector is not appreciated, as this does not take into account previous work and track record. The sector also wants to be involved in the setting of accountability processes – thus extending current understanding of transparency even further.

The lack of information available about the role and funded responsibilities of individual agencies was presented as a core accountability problem by NFP service providers. For many, there is a lack of transparency about who is paid to do what. This situation, it was argued, was exacerbated by continued funding changes, which required organisations to shift or fudge their functions so that they aligned with previous or preferred work. The consequences of this are set out below:

> *We can't keep altering our criteria not letting other people know. Everyone is really confused about what others are doing.... and some are clearly not doing what they should – they are cherry picking – and it places greater pressure on those of us who are left to pick up the work and if you can't do it then the clients get angry*.

In this way, there was a clear sense of frustration expressed by many respondents that some of their service contemporaries were not performing as agreed. Over time this was considered to be very detrimental to the relationships – the trust and reciprocity – that provide the foundation for integration on the ground. There was also an understanding, true or perceived, that the new and amplified accountability process presented as an expeditious way for government to alter current funding allocations.

> *They [funding body] are saying that it brings about more accountability and before they were saying that the way the funding agreements were done they couldn't actually de-fund another organisation easily if things went really wrong.*

> *The reason why they were going to a new system, because if people are not performing it is easy to get the funds and give it to an area that is efficiently managing it. But it takes years and years to de-fund.*

Again, this was seen as both a positive and a negative consequence. Positive in the sense that poor performance is no longer tolerated, thus leading to overall improvement in the sector. Negative in that, rather than redirect the funds to other performing local agencies, there has been a tendency to engage big organisations. The assumption here is that larger equates with more accountability:

> *It is easier for [name] to give the money to another agency. I don't think they need to establish a new agency. There are many other services out there doing a good job and they are already in the system.*

These findings complicate our understanding of public values such as transparency, as they indicate that transparency is not a simply or one way process. Public values literature has tended to focus on the transparency of government to the public, or the organisation who has been contracted to government. These findings suggest that transparency as a public value needs to become more systemic, and also be attended to between organisations involved in service delivery as well as by government to agencies.

When government overlayed new services, introduced new service providers into the existing network and increase the level of scrutiny they restructured the network along the lines of other regions, it was widely considered that this was a 'slap in the face' for the existing service and a failure by government to recognise the good outcomes of earlier integrative efforts. For service providers it was also evidence that government had failed to listen to their recommendations and did not understand that a system successfully operating in one arena may not be appropriate in others:

> *The government came and announced what was going to happen ... they didn't really listen to what a lot of us were saying about what was needed in this area, and there was a tendency to replicate what was happening [elsewhere] ... It wasn't really consultation at that time, it was really more information about what was going to happen, and there are clearly lots of different paths.*

This programmatic push down of a system not only ostracised existing service providers, but also set the foundation for adversely affecting existing relationships and causing suspicion of both government and the new players introduced to the sector at that time. Again, while the previous section focussed on transparency of content, this issue is more about the transparency of process. While government requires extensive reporting to its service providers, it has not been seen as being transparent in the process of bringing in a new system. Indeed the values held in the sector of collaboration are held at some jeopardy due to the way the new system was implemented.

The ongoing changes in funding arrangements and therefore the nature of the services to be provided by participating agencies has caused problems for integration as there is a lack of clarity regarding which new entrants are funded and the exact nature of the services new entrants are funded to provide. Whereas existing service providers who have collaborated over many years have developed a common language and therefore an understanding of what is meant by the terminology used, as new entrants enter the field shared understanding is lost as language and terminology are used to denote different things. In the homelessness service sector, for example, a new agency was funded to provide an expanded suite of services for "early intervention". This terminology was understood by existing service providers as meaning something different to what it was now intended to mean:

> *No further back, their [new provider's] definition is, and I think this is a problem ... because early intervention and prevention in [this network] means something different than it does in a medical model.*

Such misunderstandings about who is funded and for what purpose subsequently led to confusion and concern around accountability and about who was charged with providing the service that was thought to be funded:

> *After a while this is how relationships break down ... because you really get frustrated and staff get annoyed ... but they don't do what they have to do (other agencies) and you are the one that is supposed to be picking up all these things, and you can't do it and then the clients get angry at you and everyone is ringing up and getting annoyed*

*for something that you are expected to do but are not funded to do it. But I'm
confused not [by] the money but about the purpose of the money, It is reactive, it
doesn't seem to be anything different to what we have been doing for the last
however long and we haven't been able to change anything in the past and we just
keep doing the same things and that just confuses me a lot and sometimes I'm just
amazed - a new program's started up and I think why?*

In this instance, there is perceived to be a lack of accountability or at least transparency by
funding agencies, particularly government. It was considered that a stronger engagement or
communication between government and service providers might prove useful as a
mechanism to increase the level of understanding among both sets of actors. That is, by
including the NFP people in the problem identification and solution there would be greater
understanding of the restraints of government (and vice versa) and therefore the rational for
the reform, as well as the potential for more mutually agreeable solution. It has been
suggested by several respondents that some of these risks, challenges and opposing
outcomes could have been circumvented through deeper analysis and stronger dialogue
between the involved actors.

Some of the more forward-looking organisations acknowledged, however, that to be truly
independent there was a need for the NFP sector to regroup and review its strengths and
competitive advantage and become an independent force in its own right. In effect a return
to the early days of limited government funding and, therefore more arms-length
accountability requirements.

These findings lend some complexity to the discussion of transparency as a public value.
Transparency is seen as more of a systemic value which should be implemented in a
multiple directions – to government, by government, to nonprofits and from nonprofits.
Additionally, there needs to be transparency in process as well as content of decisions being
made, not just the reporting of outcomes. However, there is a consistent theme that lack of
transparency leads to a lack of trust and a level of cynicism, particularly in service delivery
organisations. This also points to the multiple layers of transparency to which NFP are held
responsible.

Upsizing
A common theme emerging from the study was the concern by smaller agencies at the
growing prominence of larger, for-profit agencies in the sector. These organisations are
larger and able to draw on a wider pool of resources and capabilities than smaller
organisations and are brought into the mix because of their business like functioning and
capacity, and therefore more sophisticated accountability regimes. Smaller organisations
within some service networks observed that government appeared to be favouring the
inclusion of larger agencies into service provision arrangements and placing them in
administrative positions acting in a pseudo-government capacity.

> *Government prefers these big organisations, because they are structured the same
> as government; they operate the same way. The reasoning is that the bigger ones
> will meet the requirements for stronger corporate accountability and will have staff
> that can monitor these processes.*

The inclusion of larger for-profit organisations into the service mix has led to tensions. Firstly,
smaller organisations considered these large NGOs as being hierarchical and that their
participation in service activities, particularly network and coordination group meetings,
resulted in an uneven sharing of information around funding and the types of services each
provided.

> *When you are sitting around the table talking about things and planning actions, the small non-government agencies … are very open … they tell you everything about their organisation including the funding they get and then you get the larger organisations … they can't necessarily be [open] … [they] can't talk about the funding because they don't know , so they can't actually participate.*

The tendency for large organisations to be headquartered in capital cities meant that staff was often unable to participate fully in local decision making processes. This causes difficulties in terms of immediate decision making and resource allocation and was seen to be problematic to local level integration.

> *To tell you the truth, I do have a problem when very big organisations come in. Because a lot of times they [new agencies] don't really have an understanding of the sector at all... They are not connected and don't act as part of our network.*

Additionally, large for-profit NGOs were considered to be taking work away that could be done by existing NFP.

> *I don't know that they need to establish another agency; you know there are other service providers who are doing a good job and should be given the opportunity.*

Further, the larger 'new' organisations were argued to be undertaking functions that did not add value to the existing network. Existing network participants commented that rather than contributing add-on services large new providers were implementing new services in which they had little experience and with limited knowledge of how the system operated. This has meant that existing services have had to step in to help out, which has placed a higher work load on the existing agencies without financial recommence.

Issues of accountability were also raised. Some existing service providers suggested that these larger NGOs were able to attract funding because they had the capacity to write "beautiful applications" which they knew they were unable to deliver on. Rather than adding value to the service system, it was considered that new providers were having a negative impact on outcomes, including acting as a fragmenting element:

> *Bringing in new players [to a sector that is already struggling], who have never been in the homelessness sector and that probably was one of the things that didn't help.*

The data, particularly the network maps for homelessness and child safety service systems, confirms that it was the combination of size and new entry into the service provision network that created tensions in relationships. Several networks already consisted of long-serving providers that were often offshoots of large NGOs but which featured significantly in the centre of the network maps and were highly connected to other agencies. These contradictory findings suggest that it may not be merely the size of the organisation that is at issue, but rather how that organisation is structured in terms of devolution. Some large religious organisations, for example, created subsidiary organisations that operated relatively autonomously in the service system meaning that they were seemingly considered not to be subject to the same rigours of bureaucracy that some of the new service providers were considered to operate under. The combination of this mix of bureaucratic and flatter structured organisations; confusing terminology and the perceived lack of expertise of new service providers not only was considered unhelpful and rather detrimental in causing on-going disruption to services as new actors were 'brought up to speed':

> *One thing they have realised is that when a brand new organisation it takes about eighteen months for that organisation to settle down, you know to get everyone to*

> *know the system and how it works – by that time the rest of them are so stretched and strained that it immediately sours any working relationship*

There was a mix of responses in terms of how well existing NFP welcomed and integrated the newer agencies into their service systems. One network, although acknowledging a sense of 'slight resentment' nonetheless made significant efforts to link the newcomer to the core services and provided administrative and service support until it was able to become fully operational. At the other end of the continuum, some new bigger entries to communities, noted that they were 'actively' closed out of the local service network despite numerous attempts to engage: making it very difficult for the agency to fulfil its obligations. It was acknowledged on both sides (small and big) that some effort to 'broker' or 'facilitate' their entry may have 'smoothed over' the initial hurdles. A further factor undermining the relationships between these agencies, at least in two case sites, was the funding competition that had transpired previously for the programs. In these cases, several smaller long term agencies had worked together to develop a collaborative program only to have the 'idea' and/or the funding transferred to a new larger provider. Although, not spoken about openly these actions have manifest in a core sense of disregard that undermines working relationships between these agencies and government, which spills over to the emergent providers.

There was also a concern expressed by several NFP that the 'bigs' have sufficient organisational slack and spare resources to be able to withdraw from a region, if their initiative proved to be financially unviable. Examples were provided where this withdrawal has occurred causing a loss of the service to the community. The fear that the large organisations were introduced to squeeze out the smalls was quite prominent and was occasionally expressed in terms of an acknowledged 'conspiracy theory'. While this was often expressed with a tone of humour, there was nonetheless an underpinning belief in the truth of the position.

> *So, while we might laugh and talk about conspiracy theories, there is a strong sense among many of us that that the 'old' agencies were staid and not progressive and the desire was to move us on'.*

It is clear that the greater inclusion of larger, more business-like service agencies has resulted in a shake up in the NFS. While in part, this was likely unintentional, there is some evidence of a strategic effort to deliberately unsettle what was seen by government as 'entrenched thinking' of the traditional NFP and open them to the growing demands for change.

From a public values perspective these findings point to some issues beyond transparency. Public values such as balancing interests, and listening to public opinion do not appear to have a high regard. Instead it would appear that the focus has been on efficiency and effectiveness, rather than a more robust and wholistic approach to service delivery.

Amalgamation
In addition to the introduction of larger organisations to the service mix, there was also a push for smaller agencies to join forces through processes of amalgamation and other forms of mergers. It has been argued that the current diversity and broad scope of services is not an effective system and, as such, both individual agency as well as government objectives can be compromised. The rationale for this policy agenda is centred on the search for efficiency by bringing related services together makes them more cost effective, more accessible and more efficient. The agenda is clearly set out by the New South Wales Government:

> *Service integration through amalgamation and common management of agencies addresses these challenges by bringing related services together in a way that makes them more convenient, more accessible and more effective. Resources are focused on the real problems the public face – not just those a particular agency is set up to address. Activities are better coordinated. In addition, tax dollars are used more efficiently, with fewer resources wasted on redundant activities, unnecessary services and partial solutions leading to more effective government performance.*

These sorts of policy agendas, highlight that the public values of efficiency and effectiveness are being driven to the fore, at least in terms of government objectives.

The benefits of such upsizing via amalgamation were acknowledged by some respondents, including "tapping into the potentials of scale and scope" for example, sharing management committee members; participating in joint training and other up-skilling actions. Conversely the potential for dominant groups within amalgamations to control other, less powerful partners was also identified. Craswell and Davis (1993) highlighted a similar issue in relation to government departmental amalgamations in the 1990s and commented that it negatively impacted on service flexibility and good decision making. Moreover, there was also strong concern expressed that these benefits would come at the cost of a diverse and vibrant sector, the very attributes that have made the NFP sector a viable 'alternative' and 'safety-net' for government for many years (Ryan, 1999; Lyons, 2001; Wolch, 1999; Mandell and Keast, 2008; Saunders, 2009).

It was noticeable that several networks of agencies have sought to achieve integration and efficiency through the application of alternative strategies to amalgamation. The Reconnect Program and the Gold Cost Homelessness Networks, for example, have both turned to incorporation as a substitute approach in response to government 'policy and funding pushes'. The Reconnect Network became incorporated in 2004, following strong policy pressures from the Queensland state government for agencies to become 'more collaborative'. Although seemingly falling in with the government agenda it was explicitly stated by members of this network that they were adopting a collaborative approach despite the goals of government. Further, rather than being 'tools of government' and adopting government's model, they were going to develop a collaboration model that worked best for their situation.

> *And so we moved to this new collaborative model, not because government required this and made it a condition of funding. We did it because it was the right thing to do. We also moved early, to make sure that we controlled what it looked like, how it worked and what it stood for.*

This points to a lack of strategic level understanding of the local system by higher level bureaucrats, and further highlights the disconnect between the two sectors in terms of processes to meet mutual goals. It also highlights the NFP sectors understanding of the array of integration modes available and the need to match these fit-for-purpose (Keast, Brown and Mandell, 2007), rather than following a policy or programmatic fad or fashion (Adams and Hess, 2001).

All of this suggests that there is a lack of connection at the level of public values. While government has focussed on issues of efficiency and effectiveness, the way that these reforms have been implemented will not automatically lead to those outcomes. The need to balance public values so that competing interests are acknowledged, that there is openness and a willingness to listen to options seems to be jettisoned in many cases in preference for a more instrumental approach to social procurement.

DISCUSSION AND CONCLUSION

The history of the relationship between government and the NFP sector in Australia is one that led to an environment wherein for many years government was remote from the provision of social services leaving the main responsibility to the NFP sector. This meant that NFP organisations were able to operate relatively autonomous from government resulting in a vibrant NFP community consisting largely small organisations working close to the source of social issues. As a consequence the NFP sector has evolved to comprise a diverse agency and programmatic set addressing a wide multitude of needs and desires. The sector has been prized for its independent spirit, communitarian ethos, its advocacy function and 'watch-dog' role for the rights of the more vulnerable in society. The new environment has seen a withdrawal of much of its operating autonomy. There is no longer the arms-length arrangements experienced in the past. This is increasingly being replaced with a shift to firstly 'control by grant funding' and more recently to greater use of formal contractual arrangements.

One of the difficulties, as illustrated by these case studies, is that government has not been able to communicate or engage with small NFPs to explain the rational for the reforms and, in so doing, to bring the NFP more on-board. The NFPs therefore embraced the idea of a conspiracy theory which prevented them from recognizing all of the positive aspects of the reforms proposed. In addition, there appears to be a lack of capacity building initiated on in to assist the NFPs to prepare their organisations for the changes needed, or to locate alternative sources of funding.

There is a tendency for government to think that reform means relying on bigger organizations to more efficiently carry out social service functions. This is due, in part, the ability of bigger organisations to present their outcomes in more corporatist ways. There are three major difficulties in this effort.

First, bigger organizations will only stay the course if it is economically viable for them to do so. When it is no longer viable, they will pull out of the system. The implications of this action are that remaining NFPs are obliged to take up the service shortfall (often without recompense) otherwise clients will be left unsupported. Second, bigger organisations, often not a part of the ongoing relationships established within the NFP networks, have great difficulty fitting into these ongoing networks. As such, they remain at an armsarm's length in terms of the joint decision-making that is going on. Finally, bigger organizations have to answer to their parent organization's direction. For large type of organizations this means that instead of being able to make decisions based primarily on meeting needed local issues, they are instead bound by a more generalised directive that does not necessarily apply at the local level.

In terms of public values then, there does seem to be a focus on efficiency and effectiveness by government. Ironically, a lack of understanding of the sector, or at best a simplistic understanding of the sector, has led to a strong engagement with the large organisations and a lack of engagement with smaller organisations. Consequently, the public values of listening to public opinion, openness, and balancing interests have not been attended to strongly.

The current reliance on economically orientated measures of size and tangible impact undervalues the broader social contribution of the voluntary and community sector. Many of the outcomes delivered by the NFP are intangible, for example, re-locating children with families, and it is difficult to place a monetary assessment. Further, by retaining an individualistic organisational focus such measures fail to capture the benefits of cross-

organisational work, the community building element which, interestingly, is sought after for social leverage by government.

The study has highlighted a growing dilemma for both government (and corporate) and the NFP sector. The economic environment is one of constraint and necessarily requires evidence of value of money provided. The NFP sector, while acknowledging the need for accountability and change, operates under different premises in which accountability is first to community or clients (itself a powerful regulator). The combination of accountability and upsizing presents as a genuine challenge to the ongoing viability of the NFP sector in its current form. There is no doubt that this sector should not be immune from review and reform. However, such an undertaking should occur jointly and be sensitive to the intangible and well as tangible contributions made. Further, forward strategic thinking should occur to ensure that unintended consequences don't override the positive. As a start however, a communication strategy, in the form of genuine dialogue has been presented as one to bridge the accountability and reform divide. That is, NFP need to articulate better what they do and government need to engage more deeply with the NFP to shape the reform agenda and provide the rationale for actions taken. An alternative approach is for NFP to either take greater stock of their contribution and enter into stronger negotiation for funding, or return to their earlier self funded and independent approaches.

For government, there is a clear call to consider the wider implications of a narrow focus on efficiency and effectiveness in terms of the fundamental principles of social procurement. In particular the embracing of a primarily commercial approach to service delivery by government, when seeking to engage a sector which operates from a more altruistic and collaborative mode of operation, great a number of disconnects.

Unfortunately, there is evidence that a number of public values have been neglected (Jørgensen and Bozeman 2002), particularly openness, balancing interests, and listening to public opinion – at least by government. It is not clear that these public values have been 'lost' (Bozeman 2002; Jørgensen and Bozeman 2002), as clearly the sector as a whole still holds these values and is actively seeking ways for them to be reinstated.

Government would do well to consider that there are in fact a large number of policy outcomes, and that focussing purely on efficiency and effectiveness may be far too short sighted an approach. If, instead, social procurement was also implemented in such as way that a broader more engaged approach with the sector was undertaken, and one in which was more open, engaged, and balanced, then a number of the unintended consequences may well be averted. Such an approach would then need to acknowledged that social procurement involves a set of tensions between different public values (Brown, Potoski and Slyke 2006) and ways need to be found so that there set of trade offs (Charles et al. 2007), can be effectively managed, so that the more wholistic set of public values can be safeguarded (Bruin and Dicke 2006; Brown, Furneaux and Gudmundsson 2012).

As these case studies have demonstrated these new relations between NFPs and the private sector and those between NFPs and government, present not only a challenge for NFPs and government but also for researchers studying these new types of relationships. One of the continuing concerns for practitioners and researchers in the future will be the problem of the loss of emphasis on the values and unique identity of NFPs. Future researchers will need to look at how reforms in existing systems may impact on the integrity and uniqueness of NFPs and what changes this will bring about in our understanding of NFPs and their continued role in society. Finally, the key issue that has been addressed in this paper is the fear that large NFPs are squeezing out smaller ones. One side of the argument is that there are too many small NFPs that are weak and inefficient. On the other side is the argument that the fact that NFPs are small is the very reason they can be closer to communities and serve them better. If they become large scale professional

bureaucracies they will lose this unique edge. This debate will be of continuing interest in the future.

REFERENCES

Adams, D. and Hess, M. (2001). Community in Public Policy: Fad or Foundation *Australian Journal of Public Administration* 60(2): 13-23

Australian Council of Social Services (2006). *Australian Community Sector Survey 2006* Redfern, Australia: ACOSS.

Barraket, J. and J. Weissman. 2009. *Social procurement and its implications for social enterprise: a literature review*. Brisbane: Australian Centre for Philanthropy and Nonprofit Studies
http://eprints.qut.edu.au/29060/1/Barraket_and_Weissmann_2009_Working_Paper_No_48_Final.pdf (accessed 2 July 2011).

Beck Jørgensen, T. and Bozeman, B. (2002), Public Values Lost? Comparing Cases on Contracting Out from Denmark and the United States. *Public Management Review*, *4*, 1, pp. 64–81.

Beck Jørgensen, T. and Bozeman, B. (2007), The Public Values Universe: An Inventory. *Administration and Society*, *39*, 3, pp. 354–381.

Bozeman, B. (2002), Public-value Failure: When Efficient Markets May Not Do. *Public Administration Review*, *62*, 2, pp. 145–161.

Brinkerhoff, J.M. (2002). Government-Nonprofit Relations in Comparative Perspective: Evolution, Themes and New Directions *Public Administration and Development* 22 (1): 505-518

Brown, K. And Ryan, C. (2003). Redefining government-community relations through service agreement, *Journal of Contemporary Issues in Business and Government* 9 (1): 107-132.

Brown, K.A., Furneaux, C.W., Gudmundsson, A. (2012). Managing infrastructure procurement transitions: A complex adaptive systems perspective, *Special Issue of the International Journal of Sustainable Development* Volume 15 (1/2): 54-71

Brown, T. L., Potoski, M. and Slyke, D. M. van (2006), Managing Public Service Contracts. *Public Administration Review*, *66*, 3, pp. 323–331.

Bruin, H. de and Dicke, W. (2006), Strategies for Safeguarding Public Values in Liberalized Utility Sectors, *Public Administration*, *84*, 3, pp. 717–735.

Chalmers, J, and Davis, G. (2001). Rediscovering Implementation: Public Sector Contracting and Human Services Australian *Journal of Public Administration* 60(2): 74-85

Charles, M. B., Dicke, W., Koppenjan, J. and Ryan, N. (2007), Public Values and Safeguarding Mechanisms in Infrastructure Policies: A Conceptual and Theoretical Exploration. Public Values in Infrastructure Panel, *International Research Symposium on Public Management*, 2nd to 4th April, 2007, Potsdam, Germany.

Craswell, E. and Davis, G. (1993). Does the Amalgamation of Government Agencies Produce Better Policy Coordination, in *Reforming the Public Service: Lessons from Recent Experience*, in P.Weller, J. Forester & G. Davis (eds). Macmillan Education Australia: Melbourne (180-207)

Earles, W and Moon, J. (2000). Pathways to the Enabling State: Changing Models of Social Provision in Western Australian Community Services *Australian Journal of Public Administration* 59 (4): 11-24.

Furneaux, C.W. and Barraket, J. (2011) "Purchasing Social Good(s): A typology of social procurement". *3rd International Social Innovation Research Conference (ISIRC),* London, 12 & 13 September 2011.

Graycar, A. (1979). *Welfare Politics in Australia: A Study in Policy Analysis* Melbourne: Macmillan.

Keast, R. and Brown, K. (2002). The Government Service Delivery Project: A Case Study of the Push and Pull of Central Government Coordination, Public Management Review 4 (4): 439-459.

Keast, R. and Brown, K. (2006). Adjusting to New Ways of Working: Experiments with Service Delivery in the Public Sector *Australian Journal of Public Administration* 65 (4): 41-53

Kewley, T.H. (1969). *Australia's Welfare State* London: Macmillan

Lyons, M (2001). *The Contribution of non-profit and cooperative enterprises in Australia* Sydney: Allen & Unwin

Mandel, MI and Keast, R. (2008). Voluntary and Community Sector Partnerships, in S. Cropper, M. Ebers, C, Huxham & P. Smith-Ring (eds) *The Oxford Handbook of Inter-Organizational Relations ,* Oxford: Oxford University Press(176-202).

Painter, M. (1987*). Steering the Modern State: Changes in Central Coordination of Three Australian State Governments,* Sydney: Sydney University Press:

Productivity Commission (2010). *Contribution of the not-For-Profit Sector, Research Report*, Canberra.

Reddel, T. (2002). Beyond Participation: Hierarchies, Management and Markets: 'New Governance' and Place Policies *Australian Journal of Public Administration* 61 (1): 50-63

Ryan, W. (1999). The New Landscape for Nonprofits, *Harvard Business Review*

Saunders, P. (2009). Supping with the Devil: Government Contracts and the Non-Profit Sector, Policy Forum.

Stewart, J. (2001). Networks and the New Public Policy *Canberra Bulletin of Public Administration* 102: 1-4.

Taylor, M. And Bassi, A. (1998). Unpacking the State: The implications for Third Sector of Changing Relationships between National and Local Govenrment *Voluntas* 9: 113-136

The National Roundtable for Nonprofit Organisations (2007). http://nfproundtable.org.au/NFPfactsheet.doc Accessed 12 May, 2011.

The Third Sector Magazine (2011) NFP to Benefit from Government Red-Tape Cut (May).

Tierney, L. (1970). Social Policy, in A. F. Davis & S.Encel (eds). *Australian Society* 2nd Edition, Melbourne: Cheshire

Walsh, P. (1993). Welfare Policy in B. Stevens & J. Wanna (eds) Goss Government: Promise and Performance of Labor in Queensland Macmillan: South Melbourne (pp. 215-225).

Wapner, P. (2002The Democratic Accountability of Non-Govenmental Organizations: Introductory Essay: Paradise Lost? NGOs and Global Accountability, Chicago Journal of International Law (Spring): 155-

Wolch, J. (1990). *The Shadow State: Government and Voluntary Sector in Transition* New York: The Foundation Centre