

Non Profit Organizations And Public Systems: Differences That Might Make A Difference

A Reflective Essay

November, 2004

Introduction

This article continues on from a series of essays that I have written since 1999, exploring the future of non profit organizations and the roles of Boards, in changing landscapes. The discussion is essentially ecological in nature, looking at how non profit organizations can, do, or do not survive and thrive in the context of broader, publicly funded service systems.

Examples of such service systems would include: the system of services related to children and families at risk, the system of settlement services for new immigrants, the system of services for people with a mental illness, the system of services for children with special needs, the system of services to assist seniors to live in the community, hospitals and acute care health services as a system, public schools as a system, community colleges and universities as a system, or public libraries as a system. There are many other examples.

Ecologies, Systems, And Competition

Each non profit organization is, or presumably wants to be, an alive and healthy organism in its larger ecology (service system or service industry), that makes a real difference to its members, clients, and communities.

More often now, this larger ecology looks and acts more like a formal system, where there are a few powerful actors who dominate, and essentially shape what happens; or, where there are forces at play that tend to create greater consistency and homogeneity across the system¹. The capacity of a non profit organization to survive and thrive within

¹ There is an irony here. Systems research suggests that the health of a system, in a changing landscape, depends on the diversity of the parts and the relationships among the parts in the system. This is the principle of requisite variety. Most farmers and gardeners naturally understand this principle. However, most policy planners rarely understand this, preferring rationality and consistency over nature and

its broader ecology or system depends on its ability, its capacity, to acquire, in a sustainable manner, nutrients (for example: credibility, funding, people, and ideas) and to translate these nutrients into energy, ideas, and actions. Inevitably, this means adapting, responding, competing, collaborating; and, more generally, finding a unique niche in the larger ecology or system.

My first observation about our various service systems is that, over the past few years within British Columbia, there has been considerable competition among non profit organizations within the same ecology or system for their "place in the sun". As a result, there have been uncertainties, anxieties, conflicts, and, unfortunately, winners and losers. Also, as a result, there have been growing tensions between those non profits that do not want to compete, and those that do, often hidden, or clouded, within conversations that revolve around traditional value statements such as: "We are of the community. We value collaboration. We are not competitive". This leads to further accusatory statements such as: "You are not like us anymore, you are not a part of us anymore". Finally, also as a result, there are non profits who compete strongly, but hide the fact that they are doing this by arguing that all others should be collaborative.

Example - A neighbourhood house, after considerable work developing a partnership with a much larger counselling agency and, together, creating a sound bid for a major government contract, loses out, losing a \$ 1 million contracted program, almost half of its operations. With courage, the neighbourhood house radically re-thinks its place in its community ecology, and discerns new, though much smaller, market niches. It has a future, though somewhat tenuous for awhile.

My second observation, or speculation, is that a different kind of competition will emerge much more strongly over the next few years, essentially pitting much larger public agencies and private corporations on one side against non profit organizations on the other, in a competition for who gets to deliver what services to whom². It is this second observation that has sparked this particular essay.

Example – A school district decides to take a more proactive approach to encouraging effective and inclusive social and emotional learning programs in each and every school. As a public agency, they turn first internally, to what classroom teachers are already doing themselves, and then to other public agencies (for example: the police) who are committed to offering social and emotional learning programs in schools. Over time, this

unruliness. They operate more out of a traditional industrial mindset that focuses on public rationality, hierarchy, and machine-like models.

² For public agencies, this will be fueled, in part, by the resource cutbacks they have faced recently, and will continue to face. Managers of public agencies will inevitably look for growth opportunities. For example: a college takes on a broader role in community economic development, a cardiac surgery unit offers its services as consultants to third world countries, or a school district looks to market itself internationally.

will leave very little space for private individuals and non profits to offer social and emotional programs as the market of teachers' time and attention will be crowded.

What might be the long term impacts on non profit organizations of increased competition with public agencies and larger private corporations? How do non profit organizations successfully navigate their way through these waters?

Example - In the area of employment services for disadvantaged people, there has been an increasing presence of larger private corporations who have been able to offer regional or provincial, consistent, technology-based services, in a pay-for-performance funding model. These larger corporations are quite different from the smaller private businesses that have, quite happily, co-existed with the non profit community employment services over the past two decades.

Example - In the recently published Provincial strategic plan for public libraries, partnerships are actively encouraged across public libraries and between public libraries and schools. The document notes that partnerships may be created with non profit organizations, though it seems to imply that this would largely be about acquiring resources for the libraries. If we think about the issue of collections, this may not matter. But, if we think more broadly about the role of libraries in the field of literacy, or the role of libraries in the area of information and referral, it does matter.

The Core Argument

What characteristics do non profit organizations have then, that larger public agencies and private corporations do not have, that might give non profit organizations a distinct advantage in their ecologies, their systems, leading to a unique place in the sun?

The traditional arguments have been that non profit organizations: know more about local community realities, care more about people and communities, are more passionate about their clients, can engage volunteers, can acquire donor support, can provide services more cheaply, and are more flexible and innovative. My experience is that these arguments are generally no longer valid³. We need a radically different perspective.

I think that there are two characteristics that might be explored, that could make a real difference; or, in Gregory Bateson's words, are the differences that might make a difference.

³ See, Gavin Perryman, *The Voluntary Sector At A Crossroads*, September, 1999. The argument is, not that these characteristics are no longer important, but that they do not distinguish non profit organizations from public agencies, individual practitioners, and, at least, small private businesses.

First, non profit organizations, while often delivering important services, important to their members, clients, and communities, are not usually essential. Clients, communities, and organizational members are not dependent on their non profit organizations. Neither are funders or contractors. They can go elsewhere, just as we can shop from one hardware store to another for the hammer we want to buy.

Example – In the recent rounds of tendered bids for child and youth at risk contracts, settlement service contracts, and employment services contracts, there was no lack of non profit, public, and private organizations submitting qualified bids. The choices facing the government contract managers were wide.

Public agencies cannot say this. For example, public schools are essential, or deemed to be essential in our communities. Most of us would say the same about public libraries, colleges, hospitals, and universities. These public agencies, then, have to survive. This constrains what they can do, what risks they can take.

There is a freedom to be found in not being essential, not having to survive⁴, though it may be difficult to find and explore this freedom in the face of staff uncertainties and anxieties about their identities, jobs, salaries, and careers⁵. Within this freedom, there are true possibilities to be unruly, playful, and innovative; and, to seek the abundance of gay abandonment.

Second, non profit organizations have a historical mission. They were born out of passion, often firey and unruly, out of collective advocacy for some issue or another. Public agencies do not have missions, they have statutes. They may develop mission statements, but these are typically more management and leadership tools to create organizational direction and internal alignment. Private corporations do not have missions, they have shareholders who demand a rate of return on their investment. They too may develop mission statements, but again these are more management and leadership tools.

⁴ This relates to the issue of confronting death personally. Once one has confronted death as in, for example, a near death experience or the death of a loved one, there is an opening out, a blossoming, into gay abandonment.

⁵ This raises questions for non profit organizations of being learning organizations, and offering staff and volunteers, less security of tenure, and more opportunities to learn, develop, expand their career portfolios, and move on.

There is a creative and unruly, almost erotic, energy to be found in focusing serious attention on the historical mission of a non profit organization, separate from the services it delivers⁶.

The Systems Imperative

It is important, I think, to put this ecological or systems thinking in some historical perspective, for the kinds of more formal and closely connected service systems that we are creating and living with now were not what we lived with in the past. In the 1950's and 1960's, our service systems were more like liquids, loosely connected and flowing. Now, they are more like crystalline lattices, where the organizational parts have very limited spheres of movement. In other words, they are on short springs.

The changes have been happening in British Columbia for some decades. Through the 1970's, there was increasing professionalization of services delivered by non profit organizations. Power shifted from volunteers and Boards to staff and managers. And, there were the widespread impacts of societal forces such as increased awareness of family violence and de-institutionalization.

Through the 1980's, as most service systems grew in size and complexity, almost exponentially, there was contracting, a shift from the traditional grant model of funding. But, contracting was not consciously chosen as a perceived better or more sophisticated model for developing service systems, rather it came about more through expediency. It was easier and faster for government service managers to bring new services on line through contracting, compared to direct public service delivery⁷. In other words, contracting was the only strategy to achieve exponential growth in service systems. In the late 1980's, unionization became another large force shaping the service systems.

By the early 1990's in British Columbia, there was a growing recognition, and a deep uneasiness or dismay, that the service systems were so large and complex that no one could understand them. This dismay arose out of the natural desire for all of us for some level of order; and, more importantly, the tendency of government policy planners, auditor general thinkers, and funders in general to equate order with consistency and control, and with risk avoidance⁸. Since then, we have been creating much more formal,

⁶ See, Gavin Perryman, A Meditation On Boards, May, 2003, and Creating Non Profit Boards That Matter: Is There A Way Of Thinking Differently, September, 2004.

⁷ From a historical perspective, then, we have never really had a debate about the relative merits of direct public service delivery versus contracted service delivery. The lack of this debate, at least publicly, makes it easier for public agencies and authorities to move themselves back into direct public service delivery without question or criticism.

⁸ What we know is that complex, second order systems, naturally find their own new levels or types of order. But, letting this happen, requires trust.

tightly connected, and controlled service systems through, for example: regionalization, rationalization, accreditation, contract negotiating, tendered bid processes, pay for performance funding models, Province wide labour management bargaining, and common qualification and training requirements for staff⁹.

My read is that these forces will continue to play out until the current service system models fall apart, as in the poet Yeats' gyre. This will happen because of larger societal and global forces, for example: the deeply changing social attitudes and values of young people, the impacts of technology and global communication systems, the emerging cultural war between cities, and small towns and rural areas, and that sleeper issue called individualized funding.

Differences Across Service Systems

In making these overall comments about service systems, I need to be clear that service systems are not all the same. Some are much more formal and tightly connected (for example: services to children and families at risk and employment services), others are much looser (for example: services to women facing family violence), and others are in between (for example: settlement services for new immigrants and non profit housing). Some are much more oriented to contracting (for example: services to children and families at risk and services to women facing family violence), others not at all (for example: education and schools), and others are in between (for example: services to people with a mental illness, services to seniors living independently, and addictions services). All of these differences have to do with unique histories, professional identities or lack thereof, and cultures. Yet, I would still argue or speculate, that there will be, for sometime, a constant and steady shift to more formality, tighter connections, and increased hierarchical controls.

Example - The system of child care services, family resource centres, and family literacy programs in most communities is still local, and very loosely connected, based on many small actors informally collaborating. In part, this is because these have not been seen yet as a top public priority or statutory area, and in part, at least in child care, because parents pay through their fees more than 50% of the costs. Yet, this may well change, as a result of the EDI research, reports such as the recent OECD evaluation of Canada, the cry from 0 - 6 advocates for universal, publicly funded services, and the growing interests of the schools in having children become more Kindergarten ready. It is not

⁹ As an aside, some people would equate all of this to increasing Provincial and Federal funding cutbacks. My read is that these forces, while real, are more boundary conditions for the service systems. And, because the service systems were so un-ordered, these boundary conditions have had more impacts than they might otherwise have had. In systems terms, they created positive feedback within the service systems.

hard to imagine all of these programs and resources coming under the school system, and being directly delivered.

In addition to the differences across service systems, there are also considerable differences within service systems that reflect such issues as: the distance from the centre, the locus of control; and, the stance of local leaders and champions, the willingness to take risks, be different and be seen to be different.

Example - In a very small community, the school district decides to fund a community organization to provide additional literacy supports within, and in partnership with, the schools. The superintendent knows that this is a risky decision, that it will lead to union conflicts, and that it will isolate him from his peers.

Embedding As A Strategy

I am not at all arguing that non profits should not contract with government. These contracts allow non profit organizations to build and sustain infrastructures (for example: facilities, technologies, staff, and management teams), and knowledge and competencies, that they can use elsewhere.

Example - An employment service agency in a local community, through its long term contract with HRSDC, has been able to create a depth of knowledge and competency, and a credibility with diverse players in its local communities, that it can innovate and test new approaches and models, and market and implement these in new ways (for example: on a fee-for-service model or through contracts with other buyers).

Example - A crisis services agency, through years of experience in operating a crisis line and counselling services under contract to the local health authority, has been able to create the knowledge and competency to build a volunteer-based approach to information and referral, and bridging and advocacy, for individuals and families in crisis in the community.

What I would suggest, however, is that:

- Non profits that do operate so called contracted services need to be totally honest with themselves that they are, in fact, integral parts of service systems, where the key decisions and powers lie almost totally elsewhere. In fact, they are not contractors, nor partners, despite the nice language that governments project. In my words, they

are "in bed" with government and other public agencies (for example: schools and health authorities), that shape and control the service systems.

- Such non profits need to be clear as to whether they are, primarily, agents of government, and therefore, quasi-public; or whether they are contracting because this allows them to do other things that are, in fact, not public. These are fundamentally different motivations. The statement, “We are delivering these services because they meet important community needs”, is not, in my reading of service system development, a sensible statement any longer. The issue is not the importance of the services. It is why it is important for us, as an organization, to deliver these services.

- Non profits will be able to maintain these so called contracted services as long as they: carefully and dutifully abide by the system rules, ensure that they are efficient and effective, and embed themselves more deeply within the service systems. In other words, they need to choose to be true parts of these formal, tightly connected service systems.

This embedding strategy, however, needs to be walked very carefully. It is a strategy of making one’s organization, or a part of one’s organization, essential to the service system’ and, therefore, to the key decision-makers within that service system. However, it is very easy, then, to take this within, internally, and start to believe that one's whole non profit organization is essential in a broader sense. This does not follow; and, in my thinking, it is a trap.

Freedom And Unruliness

Let me come back, now to my core argument that non profit organizations will be, and will be seen to be, different from public agencies and private businesses, if they embrace non-essentiality and pay serious attention to their mission.

Embracing non-essentiality is about taking wise risks, but risks none the less. It is about “going for broke” in some sense, developing a vision, and going after it, even if this means that the organization may go out of existence in the process. I added the word “wise” intentionally, because I am not arguing that non profits should suddenly go out, and like lemmings, jump of their cliffs.

Taking risks inevitably has the corollary of “social capital”. While government contracts can provide supportive infrastructure, and do help develop deep competencies, they do not provide risk capital. Non profits that want to embrace non-essentiality, want to take risks, have to create their own independent wealth that can be invested in the future.

Paying serious attention to the mission, in my experience, means first separating out the different areas of a non profit. In earlier writings, I used the following words.

- The *associational or community life*, where people come together freely, in dialogue, to explore what the mission of the organization means to them as persons and families, living in neighbourhoods and working in diverse settings. The *associational or community life* is about learning, risking personal change, and, potentially, neighbourhood and social action.

- The *product or service life* where attention is focused on doing things for the broader community, or groups of people within the community. The *product or service life* is about growth, outcomes, client or customer relationships, funding, standards, staff, and volunteers.

- The *innovation or renewal life*, where new thoughts, ideas, languages, and metaphors come into play, perhaps gestated or sparked by actions, crises, and conflicts within the two other lives; and, are given birth, defined, and brought to fruition. The *innovation or renewal life* encompasses planning in traditional forms, but also entrepreneurial thinking.

Paying attention to the mission, then, is about the associational or community life of the organization. It cannot be done if everyone's time and energy is already tied up in the two other lives. This introduces a second sense of social capital, that is, actual time, energy, and spirit within the non profit to move forward on mission related discussions and actions.