

**ACCOUNTABILITY OF SOCIAL ECONOMY  
ORGANIZATIONS: CHALLENGES AND CONFLICTS**

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## ABSTRACT

The provision of public services has changed significantly over the years. One of the more recent changes has involved the increased delivery of public services by non-governmental organizations, whether these organizations be private in nature or belong to the so-called third sector. The third sector is known by a number of different terms, including *the non-profit sector*, *the voluntary sector*, *civil society*, and *the social economy*.

Of particular interest in this study are those social economy organizations (SEOs) that receive the whole or a part of their revenue from the government. These organizations must be accountable to the government for the funds that government provides to them. The purpose of this accountability is to ensure SEOs undertake their obligations to use public resources effectively and to deliver quality public services.

One potential accountability challenge involves the limitations associated with the performance evaluation of SEOs, since performance is often not easily observable. Performance is comprised of two parts: the work done by the organization (output) and the impact of this work (outcome). The difficulty in the observation of both outputs and outcomes may result in a conflict for the SEOs between focusing on observable parts of their work that can be more readily measured and reported to meet accountability requirements versus work with less tangible outputs and outcomes. In a funding agreement between an SEO and government, the SEO might have to agree with government requirements, for instance, to follow standardized procedures so that the government can monitor the observable aspects of its work. This requirement may conflict with the SEO's desire to focus on things that are not observable, and

consequently not funded by the government, but are important to the SEO's mission and social goals.

The goal of this research study is to examine the challenges that arise in the operation of SEOs, given that they need to be responsive to government's expectations and at the same time follow their mission requirements. In-depth interviews were used to examine the extent to which outputs and outcomes are unobservable in SEOs as well as the possible conflicts that might arise between competing objectives within SEOs. Interview participants are three SEO executive directors and one manager, each of whom is responsible for the work carried out by his or her respective SEO. A government employee involved in providing funding to one of the SEOs was also interviewed.

The results of this study suggest that the SEOs that were examined have varying degrees of unobservable outputs and outcomes. This study also found that organizations with a greater percentage of unobservable outputs and outcomes experienced a greater degree of conflict in their relationships with government. One of the reasons for the conflict is that the SEO personnel felt that the government focused its attention too much on the observable outputs/outcomes and not enough on outputs and outcomes that, although unobservable, were nevertheless important to clients and the public. Moreover, the SEOs examined in this study that serve specific groups of clients, such as seniors or immigrants, experienced less conflict than those whose services (e.g., increasing environmental sustainability) target the general public.

The results of this research have implications for the way in which government structures its activities. Over the last 25-30 years, governments have, through New Public Management (NPM), privatized the provision of public services and encouraged greater competition in the delivery of public services. The results of the analysis carried out in this thesis suggest that this

restructuring may not be as effective in situations where the services are directed toward the general public and/or where the services provided involve unobservable outputs and outcomes. The added conflict that appears to accompany these situations suggests that there may be goals and objectives that are important to society but are not being met through the contractual relationship established between the government and the SEO. Since NPM is expected to remain in place, government may wish to find ways of better addressing important unobservable outputs and outcomes. One suggestion, drawn from the interviews with SEOs, is that the government officials who are assigned to work with SEOs should have a good knowledge of the SEOs and be familiar with their missions and functions. This knowledge and familiarity might enable the government officials to evaluate the degree to which non-observable outputs and outcomes are being provided, which in turn might reduce conflict and ensure a better provision of services to clients and the public.

**Key words:** social economy organization (SEO), government, accountability, funding, performance

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# CHAPTER ONE: INTRODUCTION

## Background

The provision of public services has changed significantly over the years. One of the more recent changes has involved the increased delivery of public services by non-governmental organizations, whether they be private in nature or belong the so-called third sector (Brandsen & Pestoff, 2006; Osborne, 2002).

Since the New Public Management (NPM) movement arose in the 1980s, the linkage between governments and third-sector organizations has increased, with third-sector organizations becoming more involved in the delivery of public services (Alexander, 1999). The involvement of non-governmental organizations, including third-sector organizations, in public service provision can reduce both the size and complexity of government bureaucracies. Specifically, it is argued that these organizations have a clearly defined mission to serve the public and can do so in a more cost effective and less bureaucratic way than government itself (Aucoin, 1990).

The third sector is known by a number of different terms, including *the non-profit sector*, *the voluntary sector*, *civil society*, and *the social economy*. While these terms are used differently across jurisdictions (e.g., Francophone and Anglo-Saxon) (Moulaert & Ailenei, 2005), they overlap to a large degree (Brandsen & Pestoff, 2006). One of the terms that can be used interchangeably with *the third sector* is *social economy*. According to Defourny and Monzoín Campos “the third sector is often used as the English translation of the French Concept *économie sociale*” (Moulaert & Ailenei, 2005). In this study, I use the term *social economy*, since this term encompasses two main features (i.e., social and economic) of the organizations that belong to

this sector. Social economy organizations (SEOs) have social objectives such as relieving poverty, solving housing crises, and providing job training, and are governed by social rules that limit the surplus distribution among their members (Bouchard, Ferraton, Michaud, & Leclerc, 2006). SEOs also carry out economic activities such as the production of goods and/or the provision of services. The revenue of these organizations comes from one or more of the following sources: payment for the SEO's goods and services (either by the government or other clients), grants and government funding, donations, and other revenue sources such as membership fees (Bouchard et al., 2006).

Of particular interest in this study are those SEOs that receive the whole or a part of their revenue from the government. These organizations must be accountable to the government for the funds that government provides to them. The purpose of this accountability is to ensure SEOs undertake their obligations to use public resources effectively and to deliver quality public services (Aucoin, 1990; Aucoin & Heintzman, 2000). Accountability to government of non-governmental public service providers is provided for through performance measurement (Meagher & Healy, 2003). Under the NPM system, performance is evaluated by considering the outputs, or the work done by the organization, and the outcomes of this work (Wilson, 1989).

While SEOs that receive government funds need to be accountable to the government, some of the outputs and outcomes of their activities may not always be observable. Wilson (1989) categorizes organizations based on the observability of their outputs and outcomes. According to Wilson, organizations with observable outputs and outcomes are referred to as production organizations. If outputs are observable and outcomes are not, an organization is referred to as a procedural organization. Craft organizations are those with unobservable outputs

and observable outcomes. Coping organizations are those for which both outputs and outcomes are unobservable.

SEOs appear to have a large number of unobservable outputs and outcomes. Unlike investor-owned organizations, SEOs do not pursue profits alone or at all; the result is that revenues and expenses are not the sole indicators of an SEO's performance (Kaplan, 2001). Measuring how well SEOs attain their social goals is often difficult. For instance, consider an SEO that offers English classes to vulnerable newcomers in an effort to improve their language skills and thereby empower them. It is costly to have outside adjudicators observe the instructors in class to evaluate their work (output), and it is difficult to show how effective the instructors' activities are in helping newcomers improve their language skills and integrate into a new society (outcome).

Under NPM, governments often require explicit and measurable standards of performance (Hood, 1995), and they often push an organization to follow standardized procedures to monitor the observable aspects of the organization's work (Frumkin, 2001). This expectation can create difficulties for SEOs if their outputs and outcomes are not easily measurable. The government's emphasis on the measurable aspects of an SEO's activities could conflict with the SEO's requirement to achieve its mission and could jeopardize the attainment of its goals (Frumkin, 2001). Achieving the SEO's goals could involve a variety of activities and outcomes that are not easily measured or attributed. For example, a key goal of an SEO that serves immigrants is helping newcomers integrate into their new society. To achieve this goal, the SEO might supplement the students' English skills with assistance on how to successfully navigate a new culture. Since the provision and effectiveness of such assistance might be very difficult to observe, particularly since success may not be immediate, and since the provision of

such assistance may divert limited resources away from those outputs and outcomes that are observable, the SEO may devote less effort to such assistance, and the goals of the organization would not be met. Even in the situation where the goal is achieved and observed and newcomers effectively integrate into their new society, it is hard to attribute this successful outcome to the activities and performance of the SEO – e.g., this outcome may be a result of many other factors such as other connections that immigrants make.

### **Problem Statement**

According to Wilson's scheme, SEOs' reliance on non-observable outputs and outcomes could categorize them as coping organizations. However, there are, in fact, many different types of SEOs, and the different types may exhibit different levels of coping. The first objective of this thesis is to address the question, "To what extent is each of the SEOs examined in this study a coping organization?" In other words, to what extent are the outputs and outcomes of these SEOs unobservable? The answer to this question is determined by asking people in the SEOs for a description of their organization's outputs and outcomes, and then analyzing the responses for a determination of the quantity and nature of their unobservable outputs and outcomes. It is expected that organizations differ in the percentages of unobservable outputs and outcomes, as well as the importance of these outputs and outcomes. For example, Wilson (1989) sees police departments as coping organizations. Although he outlines many visible aspects of police jobs, such as writing crime reports and tickets for traffic violations, he believes order maintenance, which cannot be easily observed, is the essential part of the job of a police force.

Following the proposition that there might be conflict between SEOs and government in performance measurement, the thesis also investigates the questions, "How much conflict is there between the SEO and the government in the performance measurement process?" and "Is

there a positive relationship between the degree of coping and the level of conflict?” To answer these questions, representatives from both the SEOs and government were asked about any conflicts or disagreements that existed regarding the activities that the SEO wanted to carry out and the expectations that the government had for the SEO. For example, questions were asked about whether the government had any expectations that the SEOs were not fulfilling. As well, SEOs were asked to explain whether the government expected anything (e.g., relying only on observable performance) that the organizations themselves did not find reasonable. The analysis of the responses to these two questions allows for an examination of whether SEOs with a greater number of coping attributes are also ones that experience greater conflict with government. Other factors, of course, could also affect conflict. The analysis examines two such factors – the degree to which the SEO relies on government funding and the characteristics of the clients or communities that are served by an SEO.

## **Methodology**

The above questions are investigated through qualitative, in-depth, individual interviews. The sample for this study is four SEOs that vary in their level of dependence on government funding and their area of specialization. I interviewed SEO staff who were actively involved in dealing with government funding and SEO accountability. I also asked for interviews with government employees who were directly involved in SEO accountability to the government. Only one government employee agreed to be interviewed.

Overall, I conducted five confidential and anonymous interviews that each took about an hour. The first group of questions was about the observability of the SEO’s performance and the way that interviewees measure and evaluate performance. The answers to these questions helped

me to examine the first question of the study, “To what extent is the performance (i.e., outputs and outcomes) unobservable in SEOs?” or “To what extent is an SEO a coping organization?”

The second set of questions probed the relationship between the SEOs and government over performance measurement. Both sides were asked if they experienced any difficulties in measuring the SEOs’ performance and whether they encountered any conflict between the SEOs’ goals and the government’s requirement for accountability .

### **Organization of the Thesis**

This thesis consists of five chapters. The current *Introduction* chapter is followed by chapter two: *Existing State of Knowledge*. In this chapter, I focus on the existing theoretical and empirical work relevant to my study. In the third chapter, *Methodology*, I provide details about the methods that I employ and the ways I address the research questions. The fourth chapter, *Results and Discussion*, analyzes the data gained from the interviews, while the last chapter concludes the research and presents the policy implications drawn from the current study.

## **CHAPTER TWO: EXISTING STATE OF KNOWLEDGE**

### **The Failure of Market and Government**

The market, as the main mechanism for the allocation of private goods and services, is often not fully responsive to the demands for addressing poverty, unemployment, isolation, and environmental issues. The market is based on making profit and does not pay attention to wider societal needs and to social justice concerns. For example, when the market is in equilibrium, both sellers and buyers make transactions at the prevailing price, but the market is silent about people in poverty who do not have the wherewithal to purchase goods (Mintrom, 2011).

Governments have responded to the market's under-provision of certain goods and services by producing the goods and services directly or by contracting with a private sector organization (Steinberg, 2006). Although governments have the authority to make policies and enact laws to address the issues affecting society, they usually provide policies that address the needs of a fairly homogeneous group. A majority voting system highlights the importance of the median voter in the election outcome. Therefore, governments often pay greater attention to the median voter's demands (Weisbrod, 1977). In this situation, citizens on either the left or right of the median might be left without services or benefits. These groups will try to meet their own needs by means of institutions aside from government. The demand for extragovernmental provision of goods or services may increase with the growth of population heterogeneity (Weisbrod, 1977). Mintrom (2011) argues that even when governments attempt to provide services, there is a risk of failure or inefficiency (e.g., the government is unable to properly assess the needs of those receiving the service). Government action can also discourage innovation and creativity. For instance, too many regulations can limit technological progress if

organizations have to spend time and energy following the rules rather than embracing new technologies (Mintrom, 2011).

## **Social Economy Organizations**

To fill the gap left by both government and the market in responding to citizens needs, new organizational forms are designed that do not belong to either the public or the private sector (A. Thomas, 2004). Mintzberg (1996) refers to them as either co-operatively owned (e.g., co-operatives) or non-owned organizations. These organizations are known by different terms; Moulaert and Ailenei (2005) use the term *social economy* and indicate “generally speaking, the term social economy designates the universe of practices and forms of mobilizing economic resources towards the satisfaction of human needs that belong neither to for-profit enterprises, nor to the institutions of the state in the narrow sense.”

SEOs have characteristics that help them to address unmet needs. Having social objectives and carrying on an economic activity are two main features of these organizations (Bouchard et al., 2006). One social principle of SEOs is the priority of people over capital (Mook, Quarter, & Ryan, 2010). Unlike for-profit organizations, pursuing profits is not the main objective of SEOs, so the surplus gained is usually distributed to the community or reinvested in the SEO (Bouchard et al., 2006). Therefore, in the decision-making process, people usually have an equal vote regardless of their capital share. In addition to their social aspects, SEOs typically need to carry on an economic activity, since one of their aims is often to provide their members or communities with goods or services. Therefore, organizations that take economic actions sporadically cannot be considered SEOs. For example, if an annual fundraising dinner is the only economic activity of an advocacy association, it is not considered an SEO (Bouchard et al., 2006).

While SEOs share a number of common characteristics, they also have some distinguishing features. One key characteristic that distinguishes SEOs from each other is their source of revenue. All SEOs earn their revenue from the public sector, non-monetary resources, their economic activities in the market, or a combination of these resources (Bouchard et al., 2006). Quarter, Mook and Armstrong (2009) use this aspect of SEOs (sources of revenue) along with other indicators, including the SEO's relationship and interaction with the public and private sectors, to categorize SEOs into four main groups: social economy businesses, community economic development (CED), public sector non-profits, and civil society organizations.

Social economy businesses are those that earn the whole or a substantial portion of their revenue from the market place. The main organizations in this category are co-operatives and credit unions. Since this group of SEO is market-based, they need to be distinguished from private sector firms (Steinberg, 2006). Quarter and et al. (2009) believe the main factor that distinguishes social economy businesses from private sector firms is that "for all types of organizations that function in the market, the prerogatives of capital are critical to survival, but for social economy businesses their social objectives are of importance. "

The second group of SEOs is referred to as community economic development (CED) organizations. While CED revenue comes partially from the market, CEDs need external support, for instance from the government, to be sustainable. These organizations usually serve people with low standards of living and who are struggling with extraordinary challenges. One example of a CED is Quint Development Corporation, whose goal is to address the economic and social needs of people in five core neighbourhoods of Saskatoon.

Compared to the three other groups of SEOs, public sector non-profits have the most overlap and interaction with the public sector. Some of these organizations were formerly a part of government or established by government legislation, but they have spun off or been privatized. Organizations that were not originally created by the government but which are highly dependent on government funding are also considered public sector non-profits. Community health centers (e.g., Saskatoon Community Clinic) would be an example of public sector non-profits (Quarter et al., 2009).

Quarter et al. (2009) argue that civil society organizations are the most numerous and the purest sub-categories of SEOs in that they have little overlap with the public and private sectors. The revenue of civil society organizations comes from membership fees and charitable donations. Civil society organizations focus on their members' or the public's needs. An example of a civil society organization in Canada that serves the public's needs is a food bank.

### **New Public Management**

The emergence and implementation of New Public Management (NPM) has resulted in a stronger partnership between governments and private sector agencies, including private corporations and SEOs. NPM encourages more competition in the delivery of public services, whether among public agencies themselves or between public agencies and private sector organizations. Under NPM, to downsize the government and to increase the efficiency of the delivery of public services, some government undertakings were privatized and some were delegated to non-governmental agencies (Aucoin, 1990).

Hood (1991) documented the emergence of NPM during the 1980s in OECD countries. He argued that these countries did not adopt NPM in equal measure. NPM can be essentially considered as one piece of a greater move towards public accountability and administration

(Hood, 1995). Unlike traditional public accountability, NPM involves reducing differences between the public and private sectors and promoting a more market-oriented management style in the government (Hood, 1995). A major shift in public accountability under NPM is controlling organizations through clarifying the goals and missions in advance and requiring organizations to be accountable for pre-set outcomes. Another change from earlier forms of accountability is greater stress on measurable and explicit standards of performance rather than on qualitative and implicit standards and norms (Hood, 1995).

As well as applying the new accountability mechanism to work flow and relationships within public sector agencies, governments have applied the NPM system in their contract relationships with non-governmental partners. Meagher and Healy (2003) argue that it is inappropriate to adopt these new accountability methods in community-based organizations. They believe that since community-based organizations and public sector agencies have different goals and operation methods, their accountability systems also need to differ. Alexander (1999) points out that community-based organizations lack the financial and human resources to meet government's expectations and compete with market organizations in the delivery of services. She also argues that requiring business-oriented accountability in community-based and faith-based organizations conflicts with their nonprofit mission (Alexander, 1999).

### **Accountability of SEOs**

Different sources of revenue can affect to whom and how SEOs must be accountable. Those organizations that rely mostly on their economic activities for earning revenue, such as co-operatives/credit unions, are required to be mainly accountable to their internal members. In contrast, dependence of SEOs on external funders like the government creates obligations for these types of organizations to be accountable to these sources of revenue. One goal of this

research is to examine the difficulties and challenges associated with SEOs' accountability, particularly accountability to external funders.

SEOs seem to have a different accountability system from organizations in the for-profit sector. For-profit organizations need to be mostly accountable to one particular stakeholder – the shareholder or owner (Quarter et al., 2009). The self-interest of people in for-profit organizations and the need of these organizations to compete in the market results in greater efficiency. The measurement of profit is thus a proper mechanism to assess the performance of market organizations (Herzlinger, 1996).

Unlike for-profit organizations, SEOs are mission-oriented organizations whose activities are not undertaken to maximize shareholder value. This non-market focus means that the quality of SEOs' activities and successes cannot be as easily assessed by tangible measures such as profit. Instead, assessments need to measure non-observable factors (Besley & Ghatak, 2003).

Another complication in SEOs' accountability is that they need to be accountable to multiple groups such as funders, clients, and political constituencies. Each of these accountabilities also requires the fulfillment of different and even conflicting requirements, since these groups have different expectations. These accountabilities are divided into two main categories: accountability to funders and accountability to participants and potential beneficiaries.

Accountability to funders is defined by different terms, including *upward accountability* (Luke, 2010) and *instrumental accountability* (Knutsen & Brower, 2010). This accountability to funders, which is in an upward and vertical relationship, takes place through a reporting mechanism (Knutsen & Brower, 2010). SEOs also need to be outwardly accountable to the

expectations of a broad audience in the community such as their members or clients (Luke, 2010).

### **Power and Autonomy**

Upward accountability to funders is a hierarchical relationship between funders and the SEO that could take place in a non-balanced power situation. The strict expectations of the funder for accountability may put the autonomy of an SEO at risk. For instance, concerns over budget cuts might push an SEO to pursue its funder's expectations at the expense of other worthwhile objectives. In this situation, the freedom of the SEO with respect to innovation and efficiency could be jeopardized.

Frumkin (2001) discusses the risk in the relationship between non-profits and government. He highlights the conflict between the expectations of non-profits, which are looking to maximize their freedom to develop new programs, and the demands of funders, who ask for a high level of accountability. This dependence also could discourage non-profits from pursuing their missions (Gooden, 1998). Frumkin (2001) recommends a balance between accountability and autonomy.

### **Measurement of Performance**

Organizations use different mechanisms for addressing accountability. Ebrahim (2003) explored five accountability mechanisms for non-governmental organizations, including report and disclosure statements, performance assessment, participation, self regulation, and social audits. Performance assessment is a popular mechanism for addressing upward accountability, and particularly as a basis for the allocation of budget (Joyce, 1997). Performance includes both outputs and outcomes (Poole, Nelson, Carnahan, Chepenik, & Tubiak, 2000). Behn (2003)

discusses the purposes of implementing performance measurement in all organizations; these purposes include evaluation, control, reward, budgeting, and learning. He emphasizes that different purposes require different measures.

De Bruijn (2002) points out the positive functions of performance measurement in public agencies, including transparency, learning, appraising, and sanctioning. However, he also mentions the perverse effects of performance measurement and then proposes strategies for the prevention of these effects. These strategies include: tolerating competing product definitions; banning a monopoly on interpreting production figures; limiting the functions of and forums for performance measurement; strategically limiting the products that can be subjected to performance measurement; and using a process perspective of performance in addition to a product perspective.

Thomas (2007) believes that, as a part of NPM, many governments developed and use performance measurement, performance management, and performance-based accountability approaches. He examines the complications and limitations of performance measurement and provides suggestions for improving its effectiveness. He discusses four main obstacles associated with performance measurement and management. These obstacles are technical (i.e., program outcomes are difficult to measure); financial (i.e., continuous performance measurement and using the data for decision making purposes call for resources and staff time); institutional (i.e., the organization needs skilled and knowledgeable staff to implement performance measurement and management systems); and political (i.e., the establishment of multiple, shifting, and unclear goals in public organizations makes their accomplishment immeasurable) (P. G. Thomas, 2007) .

Kaplan (2001) assesses the inefficiency of the existing performance measurement methods in non-profits and proposes the adoption of a specific performance measurement and

management system, the Balanced Scorecard. He believes financial measures alone are inadequate for both the measurement and management of performance. Organizations also need other measures, such as the degree of innovation, value creation for targeted customers, and employee motivation, retention, and capability.

Maddocks, Novkovic, and Smith (2011) adapted the Balanced Scorecard method proposed by Kaplan to the evaluation of an independent school. This school is a democratic and multistakeholder organization that aims to develop its students both academically and socially. The school is managed by teachers and parents through engagement in committees for the maintenance and financing of the school, and for the design of the curriculum. Maddocks, Novkovic, and Smith (2011) identify the challenges and successes of this method in the accountability process of this SEO. Four main measures assessed in the balanced accountability of the school are student learning; opportunity to learn; responsiveness to students, parents, and community; and organizational community. By adopting the Balanced Scorecard method, the school assessed a wide range of mission-driven measures of performance rather than focusing only on financial goals. This approach helped the school to refine and support its mission. While the Balanced Scorecard method was beneficial, the school faced challenges such as lack of resources, leadership, and vision for implementing the method (Maddocks et al., 2011).

### **Difficulty in Performance Measurement**

While performance measurement is a popular method for accountability in organizations, it is difficult, for the reasons outlined above, to implement it successfully in public agencies or non-profit organizations (P. G. Thomas, 2007). One main reason for this difficulty is the existence of non-observable outputs and/or non-observable outcomes. As mentioned earlier, Wilson (1989)

categorizes organizations based on the observability of their outputs and outcomes into four groups: production, procedural, craft, and coping organizations.

Feller (2002) believes Wilson's classification is useful for considering the effective use or misuse of performance measurement. He believes that while performance measurement is constructive for production organizations with observable outputs and outcomes, its application could be problematic for the other organizations (procedural, craft, and coping organizations). He takes science agencies and universities as organizations whose outputs and/or outcomes are not easily observable. This non-observability is as a result of certain elements that exist in these organizations, including "multiple goals, loosely specified production processes, and probabilistic, long-gestating, and loosely coupled linkages between outputs and outcomes" (Feller, 2002, p. 438).

SEOs might fall into the category of coping organizations, since they appear to have unobservable outputs and outcomes. Because an SEO's performance, as a non-profit organization, is evaluated by more than just financial results, it is not easily measurable (Kaplan, 2001). Moreover, like other non-profit organizations, SEOs have intangible outputs and broad missions that complicate performance measurement (Sawhill & Williamson, 2001; Stone & Cutcher-Gershenfeld, 2001). One example of a broadly stated mission in an organization could be the alleviation of human suffering. It would be extremely difficult or even impossible to evaluate the success of an organization in achieving this mission (Sawhill & Williamson, 2001). Another characteristic of a coping organization that can be seen in SEOs is "loosely coupled linkages between outputs and outcomes" (Feller, 2002). As mentioned earlier, there is a difficulty in the attribution of outcomes to the activities of an SEO. For instance, in the above example, even if we have witnessed the mitigation of human suffering in recent years, it would

be extremely hard to attribute this outcome to the activities of SEOs that are working in this area and even harder to determine the contribution of each SEO in achieving human suffering mitigation.

### **Probable Conflict in SEOs**

Wilson (1989) discusses the conflicts that might occur as a result of unobservable outputs and outcomes in government agencies. For example, in a police department, the manager is unable to watch how police officers work (output) and determine whether their work increases order and security in the society (outcome). As a result, police managers cannot easily reject complaints from outsiders (e.g., citizens) about the work of their police officers, since managers cannot show the performance of officers with confidence. Nevertheless, police officers want their managers to back them up in conflicts with citizens or lawyers.

The difficulty in the observation of outputs and outcomes in police departments has motivated managers to ask officers to be responsive just for processes that can be easily standardized. This method of police management increases the dissatisfaction of citizens, since the unobservable aspect of the police's job (e.g., order maintenance), which is important to citizens, is sacrificed to the observable part of the job (e.g., giving parking tickets). Because of this inefficiency, some managers have begun to emphasize order maintenance more strongly in order to achieve citizen satisfaction (Wilson, 1989).

The conflict that Wilson recognized is concerned with the different focus placed on observable outcomes versus unobservable outcomes. There is an additional conflict that can arise in the case of SEOs, one that is associated with SEOs' being part of the social economy. According to Enjolras (2009), there may be a conflict between the normative foundations of SEOs and the normative foundation of public policy. The normative foundations of the social

economy include autonomy, equality of members, the collective sharing of property, and some sense of a democratic structure. In contrast, the normative foundations of public policy include efficiency, top-down implementation, and a focus on the attainment of specified objectives.

These different normative foundations provide an opportunity for conflict. While the government works on the basis of defining standards and objectives, and then evaluating performance on the basis of how well these objectives have been attained, SEOs often wish to work in a more collaborative manner, jointly setting objectives and considering additional goals besides those chosen by the government. The result is a process that may ignore the discretionary power of those in the SEO and does not fully consider all of the outcomes of interest to either the SEO or the client group. Either way, conflict may emerge in the relationship between SEOs and the government.

### **Commitment in Coping Organizations**

The existence of collective objectives in an organization calls for the contribution of all the organization's members to the achievement of these objectives. In this respect, Tang, Robertson, and Lane (1996) emphasize the key role of commitment in taking successful collective actions. Commitment has two different perspectives. Commitment can be achieved in the relationship between operators (the employees of organizations who are under the supervision of managers) and their manager and in the relationship among the operators working as a team. In each case, the problem is the same – how to get those involved to avoid opportunistic behaviour that benefits the individual but makes the collective worse off.

Two different forms of commitment have been discussed as ways of avoiding opportunistic behaviour. One form stems from a rational-choice standpoint and argues that people commit to certain actions in order to ensure the long-run achievement of collective goals.

The second type of commitment relies on people having a psychological attachment to the organization and its goals, values, and norms (Tang et al., 1996).

The procedure for generating commitment in organizations varies based on the typology of organizations (Tang et al., 1996). Tang, Robertson, and Lane use Wilson's categorization (i.e., production, craft, procedural, and coping organizations) and argue that creating and maintaining commitment is different in these different organizations. Since these organizations have different issues and difficulties with respect to creating commitment, the authors suggest different approaches for each of these organizations to generate commitment.

In response to the difficulty in the measurement of outputs and outcomes in coping organizations, Tang, Robertson, and Lane (1996) suggest two ways of solving the opportunism problem. One of these approaches is related to conflict between managers and operators. Managers might face criticism from outsiders regarding organizational achievement, and they will feel the need to respond to these critiques by showing the operators' performance. But operators in coping organizations will not be able to show what actions have been taken and what outcomes have resulted from their actions. At the same time, operators expect managers to support them against external complaints (Wilson, 1989). Thus, Tang, Robertson, and Lane (1996, p. 302) suggest that successful management of coping organizations requires, in the rational-choice vein, that managers in these organizations are committed to supporting their operators in the face of complaints from outside, even as they take steps to deal with the complaints.

Another concern for coping organizations is ambiguity in the operators' role (Meyerson, 1991). As the desirable outcomes and the work required to achieve them are not clear and well-defined in coping organizations, some operators might take advantage of this vagueness and not

commit properly to fulfilling their responsibilities. Thus, for coping organizations to be successful, it will be necessary for operators to develop shared values; in other words, such organizations rely on psychological forms of commitment as well as rational-choice forms of commitment (Tang et al., 1996, p. 302). Since outputs and outcomes are unobservable in coping organizations, psychological commitment of operators to the organization is a critical factor affecting operators' performance. Operators' psychological commitment is their attachment to the organization itself and its goals, values, and norms. In this regard, effective leadership is an important condition for generating such commitment (Tang et al., 1996).

Several studies report the difficulties in the measurement of outputs and outcomes in non-profits, but there is a gap in the existing literature regarding the conflicts and disagreement that might arise from these difficulties in non-profits and specifically in SEOs. Although Frumkin (2001) notes the conflict between non-profits and government, he believes the reason for the conflict is the resource dependence of non-profits on government and he does not specifically refer to the nature of non-profits' performance as a source of conflict. Moreover, there is no analysis of the negative impact of overemphasizing observable performance and disregarding unobservable outputs and outcomes in SEOs. There is also no study that examines the response of SEOs to this conflict and that makes appropriate recommendations for dealing with this difficulty.

## **CHAPTER THREE: METHODOLOGY**

This study investigates how SEOs that receive funds from government are accountable to the government for the use of these funds. Specifically, the focus is on conflicts and challenges that might occur in this accountability process as a result of the nature of SEOs' performance.

Three central questions of the study are: (1) To what extent is each SEO examined in this study a coping organization? Or in other words, to what extent are the outputs and outcomes unobservable in each of the SEOs?; (2) How much conflict is there between these four SEOs and the government in the performance measurement process?; and (3) Is there a positive relationship between the degree to which an SEO can be classified as a coping organization and the level of conflict?

### **Data Collection and Sampling**

The above questions were investigated through primary data collection via in-depth interviews. The first step in the data collection process was sampling. The sample consists of four SEOs in Saskatoon, Canada. These SEOs were chosen because they are located in the same city, resulting in straightforward access and low travel costs. Choosing the sample from Saskatoon means that no organizations were sampled from Regina, the capital of Saskatchewan and the location of the government. It is possible that SEOs located in Regina are able to cultivate a better relationship with the government because of proximity; the extent to which this occurs cannot be examined given the data that were collected. While the sample may not allow an examination of the impact of government proximity on SEO-government relations, the sample should give a reasonably

representative picture of the relationship between SEOs and government in areas that are removed from the location of the government. The sample was also chosen across four different sectors of activity, and a key requirement was that the SEOs vary in their dependence on government funding. This variation will help to determine if dependence on government funding affects the relationship between the SEO and the government.

Assessing the financial statements of organizations over a several-year period (i.e., five or six years) could help to determine the level of the organizations' dependence on government funding. Table 1 presents the financial information for the four SEOs from 2008 to either 2012 or 2013. The reason that the end time is 2012 for two organizations and 2013 for two others is the availability of data. While all financial statements are retrieved from the Canada Revenue Agency website, for two of the organizations (specifically, organizations A and C) the 2013 statements were not available at the time of this research. For anonymity and confidentiality purposes, the names of the organizations are not used; instead the organizations are labeled A, B, C, and D.

**Table 1: Activity and financial information for the sample SEOs**

<b>SEO</b>	<b>Main Activity</b>	<b>Year</b>	<b>Total Revenue</b>	<b>Government Funding</b>	<b>Major Source of Government Funding</b>	<b>Data Source</b>
<b>A</b>	Promote environmental sustainability	2008-2012	Min: 243,460 Max: 891,777	Min: 0 Max: 507,759	Federal in most years	Canada Revenue Agency
<b>B</b>	Ensure dignity, health and independence for older adults	2008-2013	Min: 146,188 Max: 279,176	Min: 121,236 Max: 167,316	Provincial in most years	Canada Revenue Agency
<b>C</b>	Professional organization in performing Aboriginal theater arts	2008-2012	Min: 433,506 Max: 659,507	Min: 153,294 Max: 530,781	Federal in most years	Canada Revenue Agency
<b>D</b>	Education and employment programs for immigrants and refugees	2008-2013	Min: 510,885 Max: 1,043,068	Min: 444,631 Max: 986,856	Both federal and provincial	Canada Revenue Agency

Organization A aims to promote environmental sustainability, primarily through public education and policy development. Organization A has the most fluctuation in its dependence on government funding, with government providing anywhere from nothing to \$507,759 (out of total revenue of \$892,000). The executive director of this organization noted that her organization typically receives only a small percentage of its revenue from the government. She added the reason for receiving a huge amount of government funding in 2009, 2010, and 2011

(\$507,759) was that the organization was a participant in a national three-year program, which is now completed.

Organization B serves seniors and aims to ensure dignity, health, and independence for older adults. Organization C is a professional organization in the performing Aboriginal theater arts area. This organization also offers mentoring programs to Aboriginal youth and helps to foster their personal and career development. Both organizations B and C rely moderately on government funding. Organization D aims to encourage diversity and multiculturalism within the community. The main services of organization D are education and employment programs for immigrants and refugees. Organization D heavily depends on government funding. About 90% of organization D's revenue comes from the government.

After determining the organizations that would be examined, face-to-face interviews were conducted. Interviews were recorded, and each took about an hour. All interviewees were given the interview questions, a summary of the thesis proposal, and the Interview Consent Form one week prior to the interview. The Consent Form was approved by the University of Saskatchewan Behavioural Sciences Research Ethics Board. In this form, the confidentiality, anonymity, and right to withdraw were recognized for the participants.

### **Participants in the Study**

Participants for the first set of interviews were SEO insiders chosen based on their role in the accountability process. After approaching a number of individuals who may play an essential role in accountability, we settled on the executive directors of three organizations and the general manager of the other organization. As these organizations were fairly small and only one person was mostly involved in the accountability of the organization to the government, interviewing one representative from each SEO was deemed to be sufficient to reflect the organization's

viewpoint. Having said that, it is recognized that other viewpoints may exist within the organization; what has been captured in the interviews are the views of those in the major decision-making positions.

Besides internal SEO employees, I also approached government employees who are directly involved in SEO accountability to the government. I asked each interviewee from the SEOs to provide the name of an appropriate government employee involved in the accountability process. Suggested government officials were contacted by SEO staff or contacted directly by the researcher. Only one government employee agreed to be interviewed.

The questions were categorized into two groups. The first group of interview questions had to do with the first of the three central research questions stated at the beginning of this chapter; the second group had to do with the second and third central research questions. Each group of questions included initial and follow-up questions. A list of the questions is included in the appendices.

### **Interview Questionnaire and Data Analysis**

The first group of interview questions was related to the first research question, “To what extent is an SEO a coping organization?” Interviewees were asked to provide a list of the most important outputs and outcomes of the organization and to indicate which of these outputs and outcomes are unobservable. The word *output* was replaced with *activity* in the interview questions in order to avoid confusion for the interviewees between *outputs* and *outcomes*. The percentage of unobservable important outputs and outcomes in an organization is an indicator of the degree to which the organization is a coping organization. Organizations with a higher percentage of important and unobservable outputs and outcomes are more likely to be coping organizations.

The second set of interview questions concerned the extent of the conflict between the SEO and the funder. Conflict in this study refers to the disagreement between an SEO and the government about the SEO's outputs and outcomes that should be considered and given weight in performance measurement. This definition of conflict was shared with the interviewees. For there to be a conflict in the relationship between government and SEO, there does not need to be a tangible and severe tension between two parties. Conflict can also occur even if the SEOs do not share their disagreements and difficulties with the government. Interviewees were asked about the occurrence of conflicts and the reasons for these conflicts.

The last few questions in the interviews were about how organizations and government deal with the conflict and whether or not the EDs involve their staff in addressing accountability to government. These questions were asked to see how organizations approach their accountability challenges. Responses to these questions also could be helpful to draw lessons from successful and failed experiences in dealing with conflicts in order to develop policy recommendations for the improvement of relationships between SEOs and government.

### **Limitations of the Study**

The main limitations associated with this study are the small size of the sample, interviewing only one person from each organization, and not being able to interview more people from government. Involvement of a greater number of SEOs would have allowed the results of this study to be more generalizable and transferable. Also, the ability to access and interview more government officials, instead of only one, could have been helpful for comparing their responses with the viewpoints of the SEO representatives and in drawing more comprehensive and reliable conclusions.

## **CHAPTER FOUR: RESULTS AND DISCUSSION**

This chapter presents the results and analysis from the interviews with executive directors (EDs) of organizations A, B, and D, the general manager of organization C, and a government official who is involved in the accountability of organization D to the government. The responses to interview questions are used and analyzed in this chapter to address the research questions. These questions are concerned with, first, the extent to which an SEO is a coping organization; second, the level of conflict that these organizations experience in their accountability to the government; and third, if there is a positive relationship between the degree of coping and level of conflict. The current section is followed by an examination of the situation of each organization separately with regard to the degree to which it is a coping organization and the level of conflict it experiences.

In addition to examining the degree of coping and conflict in each organization, two other characteristics of these organizations are also examined. One of these characteristics is the nature of the clients or communities that are served by these organizations and another is the amount of funds that the SEOs receive from the government.

The second section of this chapter summarizes the results and presents them graphically. This section also provides responses to the research question concerning the relationship between the degree of coping and the level of conflict experienced in the accountability of SEOs to the government.

### **Level of Coping, Conflict, Base Served, and Dependence on Government Funding**

As discussed in the problem statement, SEOs have social goals and it is not easy to measure their

activities and degree of success in attaining these goals. Because of this, SEOs are hypothesized to be coping organizations. For this thesis, the degree to which SEOs can be considered coping organizations is determined by the percentage and the nature of their unobservable activities and outcomes. Depending on the level of coping, the organizations are classified into one of four categories: low, medium, high, and very high.

The existence of a large percentage of unobservable outputs and outcomes in SEOs could give rise to a conflict in the relationship between SEOs and government. Under NPM, government asks its non-governmental partners, including SEOs, to be accountable for pre-set and explicit outputs and outcomes. SEOs in turn may argue that they provide outputs and outcomes that government does not consider, largely because these outputs and outcomes are not easily observable. These organizations may also believe that the government's demands for observable performance are unreasonable.

Consistent with to the above discussion, one of the propositions of this thesis is that a conflict could occur in the relationship between these two parties. One of the purposes of the current section is to address the question, "How much conflict is there between the SEO and the government in the performance measurement process?" Using the data collected from the interviews, the level of conflict experienced by the SEOs is categorized into one of five groups: very low, low, medium, high, and very high.

In addition to differences in outputs and outcomes, these organizations have other differences that should be considered as factors that might influence the coping and conflict levels of SEOs. One of these factors is whether and to what extent these organizations are client-based or serve a community/society as a whole. Client-based organizations in this study refer to organizations that have programs that are focused on providing services to specific individuals.

For example, organization B in this study serves seniors in Saskatoon and aims to create a better quality life for them. In contrast, the services of organization A are not typically aimed at any specific individual, but instead are directed to creating a healthier and more sustainable environment for everyone in Saskatchewan. The degree to which an organization is client-based is determined to be low, medium, or high.

As the accountability of SEOs to government is required primarily because of government funding to these organizations, the amount of government funding could also affect the level of conflict. Thus, the level of the SEOs' dependence on government funding is another factor that is taken into consideration in this section. Government funding to SEOs is scaled from one to three, where one means low and three refers to high.

Table 2 summarizes the outputs and outcomes of four SEOs; it also presents the categorization of each organization in terms of the level of coping, the degree to which it is client-based, the level of dependence on government funding, and the level of conflict. The details of each organization are discussed in the following sections.

**Table 2: Outputs, outcomes, level of coping, conflict, base served, and dependence on government funding**

	<b>Organization A</b>	<b>Organization B</b>	<b>Organization C</b>	<b>Organization D</b>
<b>Outputs</b>	<ul style="list-style-type: none"> <li>• public education</li> <li>• demonstration project</li> <li>• policy work with government and industry</li> <li>• support community in a very general way to incorporate sustainability in our work</li> </ul>	<ul style="list-style-type: none"> <li>• caregiver support and information</li> <li>• communication and advocacy</li> <li>• initiate program X, task force X and Seniors Strategy to support older adults</li> <li>• develop new programs and services for older adults</li> </ul>	<ul style="list-style-type: none"> <li>• serve as a professional theater</li> <li>• offer mentorship program to Aboriginal youth</li> </ul>	<ul style="list-style-type: none"> <li>• employment programs</li> <li>• language training</li> <li>• event and community outreach</li> </ul>
<b>Outcomes</b>	<ul style="list-style-type: none"> <li>• to see better protection of the environment and less overall environmental contamination</li> <li>• ensure clean air, water and soil</li> <li>• ensure ecosystem sustainability and integrity maintained</li> </ul>	<ul style="list-style-type: none"> <li>• serve as a one-stop information and support centre for older adults</li> <li>• develop a Seniors Strategy</li> <li>• provide education to seniors through a variety of services</li> <li>• create ongoing programs that support older adults</li> </ul>	<ul style="list-style-type: none"> <li>• culturally empower and connect youth with the arts and their culture</li> <li>• undertake artistic work in the community that is relevant and engaging</li> </ul>	depends on how outcomes are defined in each project
<b>Coping level</b>	Very high	Medium	Medium	High
<b>Level of conflict</b>	Very high	Very low	Low	High
<b>Client-based</b>	Low	High	Medium	Medium
<b>Level of dependence on government funding</b>	Low	Medium	Medium	High

## **Organization A**

### **a) Outputs and outcomes and level of coping**

All of the important activities and outcomes of organization A are difficult to measure. Hence, it is concluded that this organization has a high degree of coping; indeed, it has the highest degree of coping of all the SEOs examined in the study. According to the organization's ED, the most important activities of this organization (shown in table 2) are public education, running demonstration projects, policy work, and supporting the community in a general way to incorporate sustainability in its work. The ED indicates that much of the organization's work has measurable activities and outcomes. For example, environmental education is measured by participation, and policy development is measured by uptake by federal, provincial, and municipal governments and industry. However, the ED does not think focusing only on measurable aspects of activities is an accurate way to assess a program. The example she provides is the assessment of their TV show by counting the number of viewers. She points out that, "We can say this TV show has X number of viewers but I am not sure if it is an accurate function; it does not translate necessarily into sustainable behaviour."

The most important outcomes of this organization – e.g., less overall environmental contamination and having a clean and sustainable ecosystem – also do not appear to be easily measurable. Even if people in the organization could show decreasing environmental contamination through some specialized calculation, they cannot easily attribute this outcome to their own activities and programs, since many other factors may have contributed to this contamination reduction.

Another factor that puts organization A in the category of a high level of coping is the specialization involved in this organization. The ED of organization A indicates that this

organization is a scientific-based organization and sometimes has its own measurement tools. Thus, it is hard for this organization to find a meaningful way to show its outcomes to people outside the organization who do not have the relevant expertise.

**b) Level of conflict**

The relationship of this organization with the government takes place through a contractual relationship. In the contract, the government specifies the observable outcomes that the SEO must achieve at the end of the project. Thus, government measures the accomplishment of the explicit outputs and outcomes specified in the contract.

According to the ED of organization A, there is often disagreement between this organization and the government on the outputs and outcomes that are pre-set by the government. The ED referred to one case where organization A and the government did not come to an agreement due to their different perspectives on required performance: “One time our proposal was rejected because they do not find the outcomes measurable enough. We are a very scientific-based organization and we are lucky to have that, but sometimes we cannot report meaningfully on the outcomes that they had wanted. They would be happy if we suggested a more general approach to those outcomes, which we did not think is an accurate reflection. They said you could say you got these many people to do X. We said yes we could but we have no way of accounting for that. So we did not go for this project.” While the ED does not call this situation a conflict, the reality is that the two parties did not even contract because of their disagreement on the outputs and outcomes that the organization should undertake. This example demonstrates a high degree of conflict and is categorized as such.

**c) Degree to which the SEO is client-based**

All programs offered by organization A appear to target the public and not a specific group of people. This organization aims to support sustainable living and resource use in Saskatchewan and to be a voice for the environment that the public depends on. Given that this organization is committed to environmental sustainability that benefits all Saskatchewan residents, it is concluded that this organization is client-based to a low degree.

**d) Level of dependence on government funding**

According to the ED, organization A relies on government funding to a low degree. Based on information from Canada Revenue Agency's website, organization A received a large amount of funding from the federal government between 2009 and 2011, but this situation was an exception. The ED pointed out this funding was part of a national three-year program that is now completed.

**Organization B**

**a) Outputs and outcomes and level of coping**

The most important activities and outcomes of organization B have both observable and unobservable aspects. Initiating and developing new programs, strategies and task forces to support older adults are tangible functions, but the quality and usefulness of these services are hard to measure. One example of the organization's performance that has both observable and unobservable aspects is the development of a directory to provide information to older adults and caregivers. About this activity, the ED of organization B indicated, "We know the Directory of Services and Activities is in great demand [quantity], but we have no way of knowing if users get the help they needed through the contacts in the Directory."

Other activities undertaken by the organization, such as initiating new programs and developing a task force and Seniors Strategy to support older adults, have both observable and unobservable aspects. The existence of performance with both observable and unobservable aspects puts organization B in the medium level of coping.

**b) Level of conflict**

Unlike the other three organizations, organization B is not asked to be accountable for any specific performance, and its report to the government is fairly general. Thus, the anticipated conflict between this organization and government was not observed. As the ED of the organization indicated, “They [government] receive a work plan at the beginning of the funding year and then a completed work plan at the end of the funding year. The work plan includes [our organization's] goals and objectives, and different ways to achieve them and a timeline. We also submit proposals that list the areas of our main focuses of the year.”

In response to the core funding that government provides to organization B, this organization is not required to be accountable for specific outputs and outcomes pre-set by the government. Organization B alone decides about the format and content of documents that it sends to the government either for requesting funds and/or reporting to the government. When the organization's ED was asked whether she has ever received any feedback about the proposal and report sent to the government, she said, “We share all [above] documents with the program consultant, but we do not know how he/she uses that, or whom he shares this document with. Also, I do not know whether they read these documents or they just file it.”

She also added that the only thing that she receives every year since she has been an ED (about 19 years) is a general letter. In this letter, the Minister indicates appreciation for the

organization's work and says that the organization is important to them. As a result, it appears that the level of conflict is very low.

**c) Degree to which the SEO is client-based**

Organization B provides programs and services for older adults in Saskatoon. The main purpose of the programs is to promote dignity, health and independence for seniors. Even the organization's programs with broader impacts, which could involve changes in the design of the city and the culture of the community, are targeted to improve the life quality of older adults. Thus, this organization appears to be client-driven to high degree.

**d) Level of dependence on government funding**

The level of the organization's dependence on government is medium, as governments provide just over half of its revenue. The organization's ED indicated that out of a \$200,000 total budget, the federal and provincial governments each provide about \$50,000 and the city of Saskatoon provides about \$12,000.

**Organization C**

**a) Outputs and outcomes and level of coping**

Organization C has two main functions. One is serving as a professional theater (output) and doing important artistic work in the community that is relevant and engaging (outcome). Another is offering a mentorship program to Aboriginal youth (output) and empowering and connecting youth with the arts and their culture (outcome). While the first group of outputs and outcomes is observable by the government and the public, the activities and outcomes involved with the second function are difficult to measure. As the manager of this SEO indicates, one way to evaluate the first function is, "We have artists that come in and watch our shows and there is a

list of questions that we have to fill out to say what was the set design and what was directing for the actors, so the artists evaluate the whole thing and send the feedback.” The manager believes most outputs and outcomes associated with the first function are observable, but he mentions its broader impact (e.g., having theater, having the art) is not easy to measure.

Regarding the second function of organization C, programs for the development of Aboriginal youth, most activities and outcomes are unobservable. Four main activities are involved in this function: theater and arts skill development, cultural development, work experience and mentorship, and career development. Although there are a few things that can be easily measured, such as the number of participants who get jobs at the end, most others are unobservable. For example, the primary goal of this function is very broad and difficult to measure, namely “to increase the self-esteem of Aboriginal youth through their engagement in cultural and theatre activities.” Given that there is one function that is relatively observable and one that is relatively unobservable, this organization is characterized as having a medium level of coping.

#### **b) Level of conflict**

Government asks organization C to be accountable for very specific performance outcomes. As the manager of this organization indicates, what the government wants presented is usually observable. Unlike organization B, this organization does not have a flexible reporting procedure. A main part of the organization's report to the government is a report on financial and statistical data. The Government of Canada tracks the financial and statistical information of all arts organizations, including organization C, through a web-based application called CADAC. All public sector funding agencies have access to the financial and statistical information of arts organizations that they fund through CADAC.

The manager of organization C is satisfied overall with his organization's relationship with the government. He says this good relationship is because the organization is working with government program officers who believe in what the organization is doing and that the programs are worthwhile for the Aboriginal community. These government officials are good advocates for the organization and help with the reporting process. However, there are a few situations where the manager complains about the government's overemphasis on observable performance measures, such as the focus on the number of youth participants.

Given the manager's description of the relationship with the government, organization C appears to experience a low amount of conflict in this relationship. The manager of the SEO did not raise any concerns and difficulties regarding its reporting for the first function of the organization (serving as a professional theater). He says, "We are getting funding from Canada Council for Arts since 2004-5 and we will keep getting that funding as long as we are a professional arts organization. They [the council] track our audience numbers, what artists we employed, if professional artists are Canadian or from outside of Canada, how many people working for us are from Saskatoon, how many are from Saskatchewan and how many we brought from outside of Canada [...]. Also, we have artists that come in and watch our shows and there is a list of questions that you have to fill out to say what was the set design and what was directing for the actors, so the artists evaluate the whole thing and send the feedback."

However, the manager of organization C raised concerns regarding the government's overemphasis on observable aspects of the mentorship program for Aboriginal youth. He says that what government focuses most on is the statistics for this program, such as how many Aboriginal youth participate and how many of them get jobs after the program. He said, "We currently have nine students, but we do feel pressure to expand that, so for the next year we are

saying 15 students.” It seems organization C is dealing with less conflict than organizations A and D – thus organization C is categorized as having a low level of conflict.

**c) Degree to which the SEO is client-based**

The two main functions of organization C also differ in the way in which clients are dealt with. One function of this organization, which is serving as a theater, aims to engage and empower the entire Aboriginal community by connecting them to their art and performance traditions. In contrast, the organization’s other function – providing education in the theater to Aboriginal youths – is very targeted. As a result, the degree to which the organization is client-based is categorized as medium.

**d) Level of dependence on government funding**

The government funding to organization C varies in different years. However, overall, government funding makes up about half of the organization’s revenue. Thus, organization C is categorized as having a medium level of dependence on government.

**Organization D**

**a) Outputs and outcomes and the level of coping**

Since the ED of organization D did not refer to any outcomes for the organization, the categorization of this organization was based on its outputs. The three main activities of organization D are employment programs, language training, and events and community outreach. This organization could be considered to be at a higher level of coping compared to organizations B and C. As the ED indicates, “A lot of the organization's performance is not even transferable to quantitative measures, for example how much have you built confidence in this particular client.”

Since this organization is not as specialized as organization A, organization D is deemed to have a lower level of coping than organization A. Thus, while organization A has a very high level of coping, organization D is categorized as high.

**b) Level of conflict**

Like organization A, organization D is required to be accountable to the government for outputs and outcomes established in the contract. The organization has a chance to raise concerns regarding the outputs and outcomes at the time the contract is negotiated and not to come to agreement if the government insists on aspects that the organization finds unacceptable. However, unlike organization A, organization D often accepts the government's requirements in the contract, as it cannot survive without government funding. The ED of organization D indicated, "At the beginning of the program we have an opportunity to talk to the government, but after that we will be doing whatever government dictates [...]. If we find some expectation of the project unrealistic, we will let the funder know and ask them to change for the next year. But if they do not accept and insist on what they expect and say deliver as we want, otherwise I will not fund you, I will accept to deliver because that is the only choice that I am getting." The ED also added, "If it [the government's requirement] is not met at the end of project, they [government] will question about that and the project will not be called a successful project."

As can be seen in the ED's statements, there appears to be conflict and disagreement between the government's and the SEO's expectations with regard to the organization's performance. When I asked the ED how much the government trusts that the organization is performing well in those areas that are not observable, she answered, "To be honest, whatever is written in the contract, which are the measurable outcomes, are the bottom-line. We are

delivering more than what they requested, but as these are not observable they do not care about that.”

The government employee who was involved in the accountability of organization D to the government was also interviewed. She had the same story as the ED did regarding the process of the SEO’s accountability. She also said required outputs and outcomes are specified at the time the contract is established, and the SEO will be questioned about their achievement.

The overall explanation of the ED about her organization’s relationship with government and the government official’s statement, which is consistent with what ED said, show the level of conflict is high in this organization. However, the conflict experienced in this organization is lower than what is observed in organization A. Thus, while the conflict level is considered to be very high for organization A, it is regarded as high in organization D.

**c) Degree to which the SEO is client-based**

Organization D is similar to organization C in that both provide services directed at specific clients – i.e., the language and employment programs of organization D help only immigrants who participate in these programs. In addition to education and employment services, organization D also has a community outreach program that aims to eliminate racism and inequality in the province through performing arts and by organizing multicultural events for the public. Thus, it appears organization D is client-based to a medium degree.

**d) Level of dependence on government funding**

Organization D’s dependence on government funding is high, since more than 90% of its revenue comes from the government.

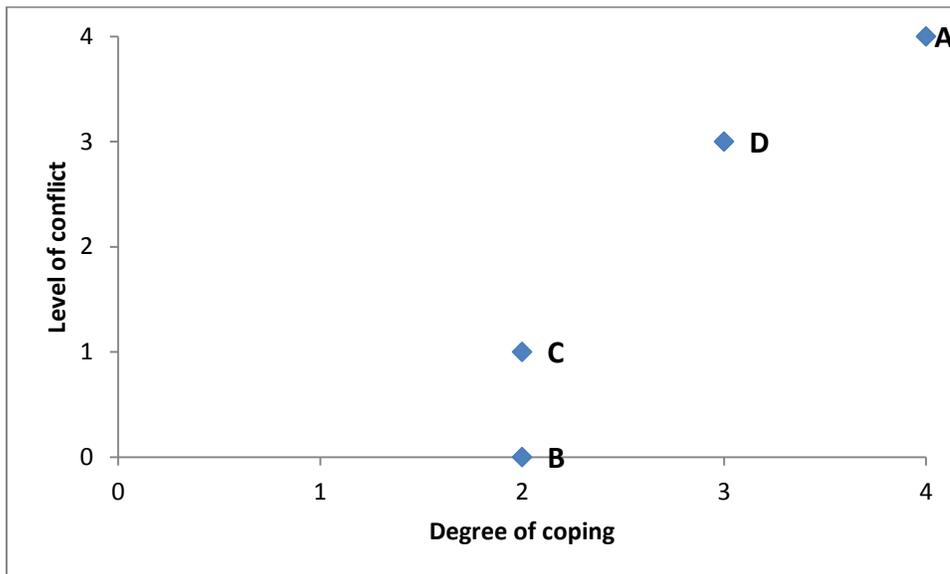
## **Discussion of the Results**

The results presented in the previous section can be used to examine the key question posed at the start of the thesis, namely whether there is a relationship between the coping nature of an organization and the degree of conflict that the organization experiences with government. The figures presented in this section show five relationships: the relationship between the degree to which an organization is a coping organization and the conflict that the organization experiences with government; the relationship between the degree to which an organization is a coping organization and the degree to which it is client-based; the relationship between the degree to which an organization is a coping organization and the level of government funding; the relationship between the conflict that the organization experiences with government and the degree to which it is client-based; and the relationship between the degree of conflict and the level of government funding. In all figures, zero corresponds to very low, 1 to low, 2 to medium, 3 to high, and 4 (if there is such) to very high.

## Coping and Conflict

Figure 1 presents the relationship between the degree to which an organization is a coping organization and the conflict that the organization experiences with government. Figure 1 indicates that there appears to be a positive relationship between the degree of coping and the level of conflict.

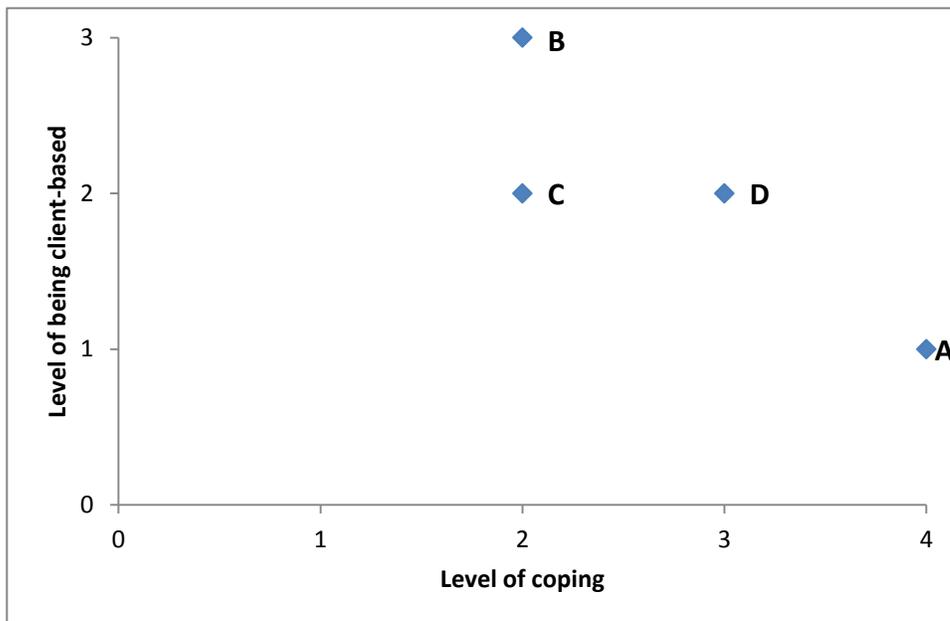
**Figure 1: Degree of coping and level of conflict**



## Coping and Client-based

Figure 2 presents the relationship between the degree to which an organization is a coping organization and the degree to which it is client-based. As can be seen, there is a negative relationship between the degree of coping and the degree to which an organization is client-based. Thus, organizations whose services are aimed at a specific group of clients have lower levels of coping than those that provide services to the entire community or to the public.

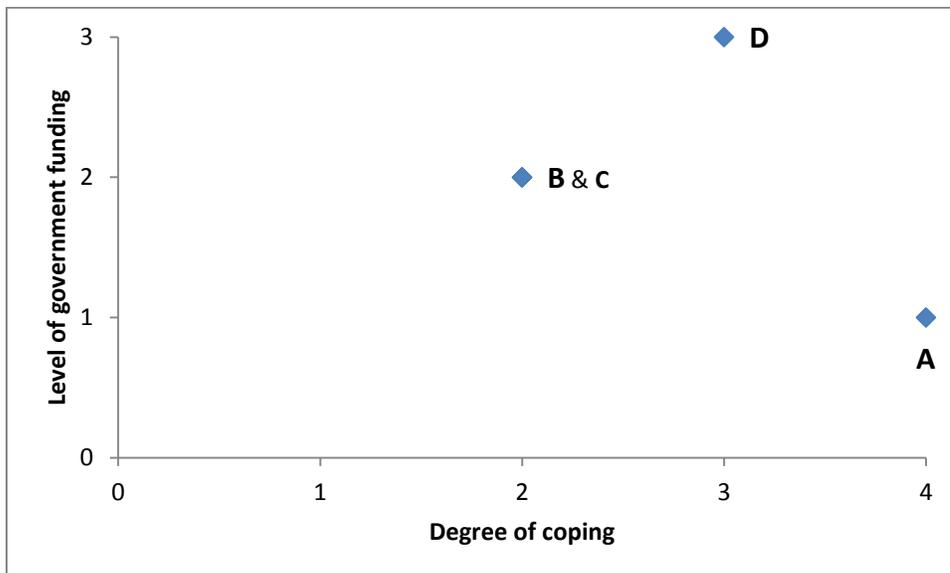
**Figure 2: Level of coping and being client-based**



## Coping and Government Funding

Figure 3 presents the relationship between the degree to which an organization is a coping organization and the level of government funding. There is no relationship, either positive or negative observed in figure 3 between the degree of coping and the level of an organization's dependence on government funding.

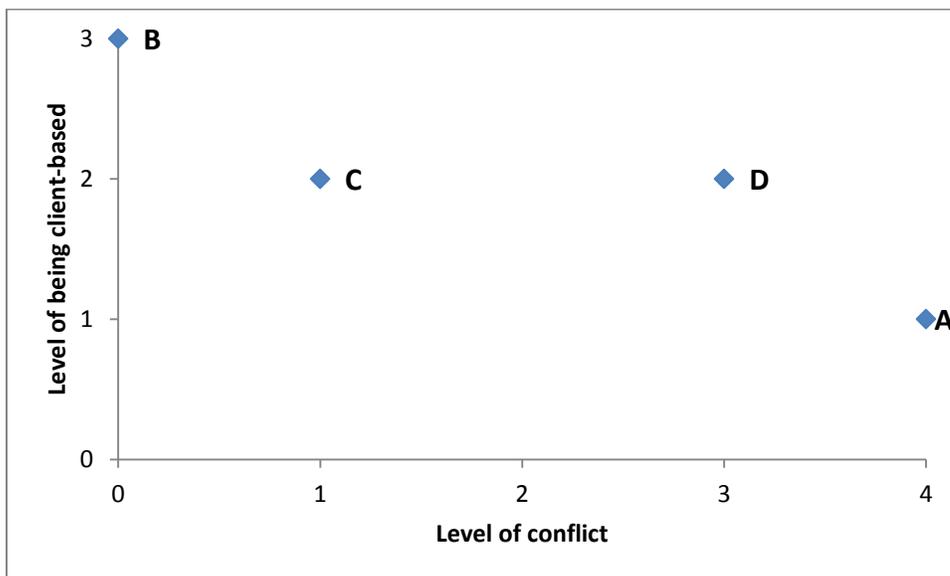
**Figure 3: Degree of coping and level of government funding**



## Conflict and Client-based

Figure 4 presents the relationship between the conflict that the organization experiences with government and the degree to which it is client-based. There seems to be a negative relationship between the extent to which organizations serve a specific client group and the degree of conflict that they experience in their accountability to the government.

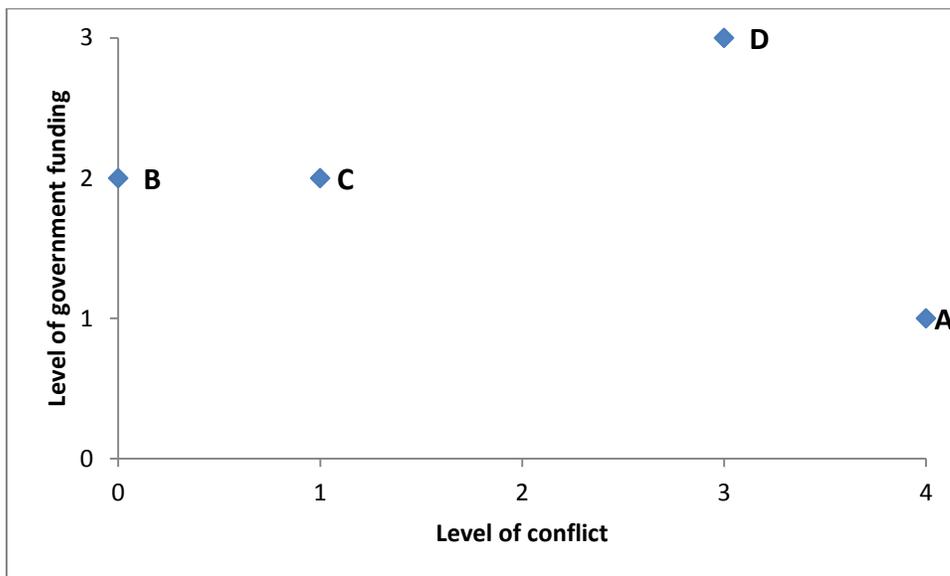
**Figure 4: Level of conflict and being client-based**



## Conflict and Government Funding

Figure 5 presents the relationship between the degree of conflict and the level of government funding. The scatter plot suggests that there is no relationship – positive or negative – between these two variables.

**Figure 5: Level of conflict and government funding**



The above graphs highlight three patterns worthy of additional attention. The first pattern observed is the lack of a relationship between the level of conflict and government funding, suggesting that the source of the conflict lies elsewhere. The second pattern observed is the one that was hypothesized at the beginning of thesis, namely the positive relationship between the degree of coping and the level of conflict. As figure 1 illustrates, SEOs that have more unobservable outputs and outcomes experience greater amounts of conflict in their accountability to the government. The third pattern observed in the results – see figure 4 – is that the conflict

experienced by an organization and the degree to which the organization is client-based are negatively correlated.

Taken together, these last two relationships raise a question as to whether the conflict between the government and the SEO arises because of the coping nature of the SEO, because of the nature of the client relationship, or both. While the research undertaken in this thesis does not specifically provide an answer to this question, it is useful to consider what the nature of the causal connection might be.

Although the research required to establish this conclusion needs to be done, conceptually it seems likely that the nature of the client relationship affects the level of coping, which in turn determines the level of conflict. As was seen in the interview results, organizations A and D received high scores for coping in part because they were dealing with objectives that were very general, such as environmental sustainability and the degree to which confidence was built in a client.

Although it is possible that SEOs with more focused client relationships could also have very general objectives, there appears to be a connection between the nature of the goals and the nature of the client relationship, with a more focused client group corresponding to more focused goals and objectives. One reason for this is the diversity of the client group. As the client group becomes larger, it also becomes more heterogeneous; as a consequence, it is more difficult to define success.

Success also becomes more difficult to measure in heterogeneous groups. Even if it is difficult to explicitly measure success, it is nevertheless easier to determine whether people are satisfied with the good or service. For instance, in a homogeneous group, negative feedback from the clients is likely indicative of a problem that affects everyone. In contrast, in a heterogeneous

group, negative feedback from clients may be the result of some people not valuing the good or service as much. This difficulty in interpreting the signals that are obtained suggests that the level of coping may be greater in organizations that have a broad client base.

## CHAPTER FIVE: CONCLUSION

In this concluding chapter, the questions of the thesis and answers to them are briefly reviewed. The chapter also discusses suggestions for future studies, policy recommendations, and the limitations faced in this study.

### **Summary**

In the preceding chapters, the ways that SEOs are accountable for government funds and the difficulties faced in the process of accountability were discussed. Under NPM, SEOs that receive government funds need to be accountable for explicit performance established at the time of the contract. This type of accountability might be challenging for SEOs, as the outputs and outcomes of their activities may often be unobservable. The difficulty in determining the extent to which an SEO's performance matches with the government's expectations could give rise to conflict between the government and the SEO.

This study had two main objectives: first, to examine the extent to which the four SEOs examined are coping organizations, where both outputs and outcomes are often difficult to determine and measure; and second, to examine the existence and the level of conflict between SEOs and the government with regard to the assessment and measurement of the organizations' performance. With these two questions answered, the analysis could then examine whether SEOs with a greater number of unobservable and non-attributable outputs and outcomes experience greater conflict.

The results suggest that all four organizations to some extent are coping organizations. However, they have different levels of coping: organization A – very high; organizations B and C – medium; and organization D – high.

According to the findings of this thesis, there is a positive relationship between the degree of coping and the level of conflict in the four SEOs that were investigated. Organizations with a higher level of coping experience a greater amount of conflict in their accountability to government. The level of conflict for organizations A, B, C, and D is respectively very high, very low, low, and high. The results of this thesis also suggest that SEOs serving a specific group of people have a lower degree of coping and in turn experience a lower level of conflict in their accountability to the government than do SEOs serving a more general client group.

### **Policy Implications and Future Studies**

An important finding of this thesis is that the relationship between SEOs and government is not always problematic and characterized by conflict, but instead depends on the nature of the SEO and the client group that it serves. Accountability is likely to be a problem – and hence NPM is likely to be less useful as a tool for providing goods and services – when the client group is very broad. This result suggests that the use of the contracting-out model for the provision of broadly based goods and services may be problematic. The reason is simple: the NPM model is predicated on the idea that outputs and outcomes can be easily measured. When this is not the case, the difficulties in measurement surface in the relationship between the government and the SEO.

The results of this research have implications for the way in which government structures its activities. Over the last 25-30 years, governments have, through NPM, privatized the provision of public services and encouraged greater competition in the delivery of public

services. The results of the analysis carried out in this thesis suggest that this restructuring may not be as effective in situations where the services are directed toward the general public and/or where the services provided involve unobservable outputs and outcomes. The added conflict that appears to accompany these situations suggests that there may be goals and objectives that are important to society but are not being met through the contractual relationship established between the government and the SEO. Since NPM is expected to remain in place, government may wish to find ways of better addressing important unobservable outputs and outcomes.

One possibility is that government might want to consider alternative models of funding SEOs. The advantage of using SEOs to provide services is that SEOs can be expected to have expert knowledge that government does not have. The SEOs' devotion to a mission and their ability to tap into voluntary resources, to connect with the community, and to increase awareness are also all very valuable. To be able to tap into these advantages, it might be useful for the government to consider providing funding that is less project-oriented and more organization-oriented. As Vaillancourt (2013) expresses it, organizational funding should be for what the organization is, not what the organization does.

To do this, however, would require a different type of monitoring by government and potentially a different type of official working with the SEO. One suggestion, drawn from the interviews with SEOs, is that the government officials who are assigned to work with SEOs should have a very good knowledge of the SEOs and be highly familiar with their mission and function. This knowledge and familiarity might enable the government officials to evaluate the degree to which non-observable outputs and outcomes are being provided, which in turn might reduce conflict and ensure a better provision of services to clients and the public.

Several interviewees in SEOs said they have a smoother and less conflictual relationship with government officials who know and care about their organizations. Particularly in the case of a relationship between an SEO and the federal government, assigning a local official to assess SEO performance could be beneficial. A local official who has a good knowledge of the community might be able to indicate that the SEO has been successful in its social contribution. For example, the manager of organization B indicated the official in Saskatoon is their connection and sometimes their advocate in Ottawa. He said this official is in the community and easily could see their youth participants and ask them how they are satisfied with the organization's program. Organizations A and C similarly indicated they have a better relationship with government when the official knows or has heard about their organization.

This study is a first step in recognizing the challenges that SEOs might have in their relationships with government and the demands for accountability that are associated with NPM. The appropriate model for providing goods and services targeted to the general public is the subject of future research. Another topic that has not been investigated extensively and requires further research is the nature of the relationship between coping and the nature of the client base.

## **Limitations**

One main limitation of this study was the inability to interview government officials. In spite of this study's intention to reflect the views of both SEOs and government, only the SEOs' responses and perspectives on their relationship with government were considered. Interviewing government officials would have been helpful in terms of determining if the categorization of the SEOs was correct – the greater congruence between the perspectives of the SEO EDs/manager and the government officials could have increased confidence in the categorizations. Interviews with government officials would also have provided information about government expectations

and might have provided suggestions to SEOs for building a better relationship with the government. As government officials might be involved in the reporting of several SEOs working in similar areas, they could have been able to make comparisons among different SEOs and share their experiences regarding the constructive or challenging relationships that they have had with SEOs.

Another limitation involved in this study is its small sample size. While the cases examined in this thesis are suggestive, a greater number of interviews would be required to more firmly establish the relationships that were indicated. For instance, including SEOs from both inside and outside of Regina would have allowed for an analysis of the impact of proximity of the SEO to the government on the level of conflict between the government and the SEO.

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## APPENDIX A

### Interview Questions for Social Economy Organizations (SEO)

1. How are you accountable for the funds that you receive from the government? How much of the accountability is via performance evaluation (i.e., outlining your activities and outcomes)?
2. What are the most important activities of your organization?
3. What are the most important outcomes of your organization?
4. How do you measure the activities and outcomes (i.e., the performance) of your organization?
5. Which of the activities/outcomes are easy to measure? Which are difficult to measure?
6. Which of the activities/outcomes are easily observable by people outside the organization (e.g., by government)? Which of the activities/outcomes are not easily observable by people outside the organization (and most importantly government)?
7. How important is the performance of your organization to the government?
8. How important is it to your organization that the government is able to determine your organization's performance?
9. How does the government measure the activities and outcomes (i.e., the performance) of your organization? Is this measurement effective? Why or why not?
10. How do you assess your relationship with the government in performance measurement?
11. Are there any conflicts between your organization and the government over performance and how performance is measured? If yes, please describe.
12. What role does the measurability of activities and outcomes (i.e., performance) play in these conflicts? Are there other factors that are the cause of these conflicts?
13. Does government have expectations that your organization is not fulfilling? Does government expect outcomes that your organization does not find to be reasonable?

14. Do you believe you have activities/outcomes that government does not consider because they are not easily observable?
15. Do you share your difficulty in measuring your performance with the government? How much does the government trust that you are performing well in those areas that are not observable?
16. How do you deal with situations where an outside agency (e.g., government) challenges or questions the activities/outcomes of your organization or your staff? What is the reaction of your staff?
17. Do you involve your staff in discussing of your organization's relationship with government? Have they been helpful in making performance more observable and making the relationship less conflictual?

## **APPENDIX B**

### **Interview Questions for Government Employees**

1. How do you ask organization X to be accountable for the funds that it receives? Do you measure its performance (i.e., activities and outcomes)?
2. What are the most important activities of organization X?
3. What are the most important outcomes of organization X?
4. How do you measure the activities and outcomes (i.e., the performance) of organization X?
5. Which of the activities /outcomes are easy for you to measure and which are difficult to measure?
6. How important is the performance of organization X to you?
7. How important is it to organization X that you are able to determine the organization's performance?
8. How do you assess your relationship with organization X in performance measurement?
9. Are there any conflicts between you and organization X over performance and how performance is measured? If yes, please describe.
10. What role does the measurability of activities and outcomes (i.e., performance) play in conflicts? Are there other factors that are the cause of conflicts?
11. Do you expect to see activities/outcomes that organization X finds unimportant or does not provide?
12. Are you convinced about activities/outcomes that you cannot observe, but the organization X argues it is fulfilling? If so, what efforts do you make to observe this performance?