

EXECUTIVE SUMMARY by NEIL M. BURKE

Despite a dramatic increase in the size and scope of the nonprofit sector and the increased reliance on nonprofit organizations in the delivery of human services, nonprofit organizations have received very little critical attention. This thesis examines one specific category of nonprofit, the Voluntary Social Service Organization (VSSA), and the role that funding plays in the ability of these organizations to fulfill their mandates. To examine funding impacts a qualitative case study of a single VSSA was conducted.

VSSAs are of interest for two reasons. The first is that VSSAs are often perceived to be the most independent, flexible, and innovative of all the nonprofits. This is due, in part, to their governance by private volunteer boards of directors and to their provision of services that are outside of the legal mandate of governments. It is also due to the fact that most VSSAs are relatively small organizations and operate locally. In theory this provides them with a greater ability to identify and respond to local needs. The second reason that VSSAs are of interest is that they form a large component of the social service delivery system in Ontario. As such they greatly impact on the quality of social services in this province.

VSSAs and other nonprofits receive funding from a "bewildering array of potential sources" (Gronbjerg, 1991b). These include all levels of government, corporations, foundations, spiritual organizations, the United Way, community service organizations (e.g. Rotary and Lions clubs), individual donations, fee-for-service, investment income, and fundraising activities (Gronbjerg, 1991a). In both the United States and Canada governments are the largest source of funding for nonprofit organizations (McMurty *et al.*, 1991; Ross, 1983; Salamon, 1987; Sharpe, 1994).

Several impacts of funding have been identified in the literature. They can be categorized under three broad headings: operational, programming, and organizational autonomy and independence. Under the operational heading are those funding issues which affect agency finances and administration. These include issues such as overhead expenses, cash-flow, operating procedures, organizational structure and agency planning. Programming impacts are

those that affect what services are offered, how they are offered, and to whom they are directed. Autonomy and independence factors include external influences on decision making, and issues of agency accountability.

Within the literature there is much debate as to the extent that funding impacts autonomy and independence. Some authors argue that funding scarcity and uncertainty force agencies to place more emphasis on agency maintenance issues than on other factors such as client needs. They also argue that decisions as to which programs nonprofits will provide are not made by the agencies themselves but by funders in terms of which services they are willing to fund.

Other authors find that concerns over nonprofit autonomy and independence are overstated. They site several factors that limit funder control over nonprofits including: the diversity of nonprofit funding sources, the payment for service relationship of most funder/nonprofit transactions, and nonprofit monopoly over service provision.

Several nonprofit reactions to funding have also been identified in the literature. These include strategies designed to respond to funding impacts either by attempting to gain favour and/or exert influence over funders or by attempting to diminish impacts through strategies designed to limit their effects. One of the key findings in the literature is Kramer and Grossmans' description of nonprofit reactions to funding as "paradoxical in character; that is, that which enables also disables" (1987:44). Reactions to negative funding impacts quite often trigger other impacts which can have equally detrimental results.

The method chosen for this investigation was a qualitative case study of a single VSSA. The decision to conduct a qualitative case study was based on three factors; the extent of existing knowledge of funding impacts as identified in the literature review, the strengths and weaknesses of alternative research methods, and the theoretical orientation of the author. The research design was emergent and utilized multiple data sources including interviews, document analysis and participant observation. Strategies utilized to ensure validity, reliability and generalizability included triangulation, member checks, peer review, and participatory research.

The process used to select an appropriate case to study was a criterion-based sampling technique. Selection criteria were established and the participating agency was selected on the basis of best fit. The research was conducted over a three month period from October to December, 1994. The data collection included fifteen personal interviews with agency staff and board members, analysis of internal and external agency documents, and participant observation of day-to-day agency activity and five agency meetings. The method of data analysis employed was based on qualitative data analysis as described by Merriam (1988), Lincoln and Guba (1985) and Kirby and McKenna (1989).

The participating agency was a relative large, well-established VSSA operating in a mid-sized Ontario city. The agency provided a wide range of programs including: individual and family counselling; support groups for abused women, incest survivors and children who had witnessed violence; a mental health program; services for seniors; prevention education; and social planning and advocacy. At the time of the study, the agency had forty-three employees (34.7 full-time equivalent positions).

The agency received funding from several sources. Principal funders included the United Way, the Regional Government, the Ontario Ministry of Community and Social Services (MCSS), and the Ontario Ministry of Health (MoH). The agency also generated its own funds through its Employee Assistance Program (EAP) and by charging clients program fees.

The case study provides insight into several aspects of the relationship between the participating agency and its funders. In some instances the data confirm findings in the literature. These include issues associated with funding uncertainty and impacts on program accessibility. For this agency, the data also confirm the negative impacts of funding on agency autonomy and independence.

In other instances the data suggest that some of the findings in the literature do not apply to this agency. These include issues of funding scarcity, the high opportunity costs associated with managing government funding, and cash flow difficulties, also associated with government funding. Finally, the data provide insight into funding impacts not previously identified. These

include negative impacts on staff morale, issues associated with targeted funding and the use of planning as a strategic response to funding.

The case study also provides additional insight into three issues that have serious ramifications for the way social services are provided in this province and elsewhere. The first is that the reliance on VSSAs to continue to provide services to poorer and hard to service clients must be re-examined. The case study data suggest that funding impacts and the agency's reaction to these impacts have diminished the participating agency's ability to provide services to the disenfranchised.

The second is that the ability of VSSAs to identify and respond to community needs is being diminished. Agency maintenance efforts, targeted funding, funder imposed eligibility criteria and other issues such as the loss of autonomy and independence, and impacts on agency staff have greatly reduced the ability of VSSAs to respond to new demands from their communities. As this has traditionally been the primary strength of VSSAs, this finding represents a serious setback to the current social service system and poses severe limitations on the ability of the system to adapt and respond to ever-changing community needs.

Finally, the case study data suggest that funding has played a role in diminishing the ability of VSSAs to evaluate the effectiveness of their services by placing considerable emphasis on determining the efficiency of service offerings through quantifiable measures. As this is already very problematic for VSSAs this finding suggests that in the long-run, as funding further weakens VSSAs' ability to prove their effectiveness, it further jeopardizes the role of VSSAs in the social service system. This places even greater responsibility on social planners to continue to examine the strengths and weaknesses of VSSAs and to evaluate their appropriate role in future social services.