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**DEINSTITUTIONALISED
OR
REINSTITUTIONALISED?
DEVELOPMENTS IN THE NON PROFIT HUMAN
SERVICES SECTOR**

**WORKING PAPER NO. PONC64
Catherine McDonald**

QUT

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Introduction

Some weeks ago an interview with Jill McIntosh, the coach of the Australian Netball team was broadcast. The reporter asked Ms McIntosh what netball needed to do to get the same profile as mens sports such as rugby league, and in doing so implicitly assumed that equal public recognition was desirable. She answered that the solution was straightforward: the game would need to `marketise' itself; it would need to become an industry. She warned however, that in doing so, netball would change forever. The culture of netball, witnessed every Saturday afternoon across the country as thousands of volunteers work with crowds of girls and young women would disappear.

While the differences between netball and nonprofit human services appear to be more salient than the similarities, the nonprofit human services sector is currently undergoing a period of substantial change not unlike those that could potentially change netball. For many, this may not seem to be much of an issue. However, changes to the status of the nonprofit human services sector may have profound implications for the Australian welfare state, patterns of service delivery within it, and perhaps for consumer outcomes.

While the development of the modern welfare state in the form of public sector service delivery and income security measures have captured the attention of scholars of social policy, the nonprofit sector has rarely featured in social policy analysis, viewed perhaps as an anachronistic and trivial. The sector in Australia, however, has always played a substantial role in the provision of welfare services; on its own initiative, and increasingly over the past three decades, as a medium for the operationalisation of public policy. Its centrality is reflected in the recent Industry

Commission Inquiry which claimed that 11,000 nonprofit human service organisations employed 100,000 people, and spent an annual average of \$4.4 billion in 1992-93 (Industry Commission, 1994, pp. xxi).

This paper describes some of the contemporary developments in the nonprofit human services sector, drawing upon data generated by the author and augmented by references to other processes underway. These processes are contextualised within a theoretical framework derived from developments in neoinstitutional theory (DiMaggio and Powell, 1991). The purpose of the paper is not to test the adequacy of the theoretical formulation, but to provide a means of structuring subsequent analysis. While the attention of the sector has been captured by the Industry Commission Inquiry, the sorts of change processes it heralds have been underway for some time, carried through bewildering range of channels.

Indicators of Change

In an attempt to generate knowledge about the contemporary experience of the nonprofit human services sector in Queensland, employees in nonprofit human service organisations, informants in peak organisations, and representatives of two funding bodies were interviewed. A number of features emerged indicating that change was underway. These can be summarised as follows:

- Increases in attempts by funding bodies to monitor and influence the behaviour of funded organisations.

- Shifts in the logic of nonprofit service delivery from `caring' and `service' to `production'.
- A developing influence of professionalism and professional frameworks in organisational activity.

In the past, accountability of nonprofit organisations to their various legitimate constituents has been minimal in the extreme (Lyons, 1994., McGregor-Lowndes, 1993.) All three groups of informants interviewed indicated that funding departments were gradually developing a greater capacity to monitor and influence the behaviour of funded organisations, both in respect of financial management, and organisational performance. This was evidenced by:

- growth in the skills base and capacity of personnel in funding bodies to manage financial accountability,
- the introduction and refinement of service agreements incorporating performance indicators,
- the proposed introduction of a process called Monitoring, Evaluation and Review in the Queensland Department of Family and Community Services designed to combine and increase organisational financial and performance evaluation.

Assessed together, the developments within funding bodies indicate that the previous practice of block grants and limited accountability is shifting towards a new regime, characterised by purchase of service or contractual funding arrangements, and

increased accountability. The immediate genesis for these developments have been mounting pressures on line departments from central government instrumentalities to account for public sector expenditure in nonprofit organisations, as part of a broader public sector cultural shift requiring social expenditure to produce identifiable and quantifiable outcomes.

Analysis of that data also indicated that what may be conceptualised as the interpretative framework defining and giving meaning to nonprofit human service organisational activity is also undergoing change. This process was exemplified by reference to what informants in Queensland regarded as a 'new' language of management in the sector, a language derived from contemporary human resource and other management theory, developed primarily for the for profit sector. References were made to 'performance appraisal systems', nonprofit organisations as 'companies', the applicability and usefulness of Total Quality Management, the need for management education through such vehicles as MBA programs, the sector as an 'industry', and organisational service delivery as 'product'.

Finally, that research indicated that the role and potential impact of professionalism (particularly human service professionals) within the sector is growing. At the organisational level, the impact is, as yet, relatively minor. Employees, for example, nominated that their 'practice framework', or orientation to their work, reflected personal experiences of crisis and assistance, voluntarism, religious involvement or political activism. not professional education. However, informants in peak organisations and in the funding bodies revealed processes by which professionally driven models of human service practice are imported into organisations, via, for example, funding department personnel working 'developmentally' with funded organisations.

Processes such as these have been noted by a series of commentators in Australia, and in other countries. In this country, attention has largely been confined to proposed shifts in state-nonprofit relations (Nyland, 1993; NCOSS, 1992). In the United Kingdom, the United States and Europe, similar processes have been noted and extensively debated (Billis and Harris, 1992; Kuhnle and Selle, 1992; Knapp and Kendall, 1991; Wolch, 1990). Concerns have been raised in the US and the UK, but less so here about proposed shifts in the logic of service delivery, remarking with considerable trepidation the commercialisation or marketisation of the nonprofit sector (Billis, 1993; Salamon, 1993; Adams and Perlmutter, 1992).

Institutionalised or Deinstitutionalised Organisations?

Early formulations of neoinstitutional theory of organisations proposed and compared two analytically distinct types of sectors or fields; technical and institutional sectors (Meyer, Scott and Deal, 1991). The essence of the difference between the two was conceived to be the extent to which organisational success within a field was dependent on resolution of technical problems as opposed to demands from the institutional environment. For organisations in technical environments, efficient and effective control of the production system was held to be a fundamental requirement for ongoing organisational functioning. For those in an institutionalised sector, the rationale underpinning organisational behaviour is held to be less concerned with maximising control of the productive process. Instead, organisational behaviour which promotes survival conforms to models and structures elaborated, authorised and legitimised within and by the sector or field. Generally, neoinstitutional scholars have characterised organisations within the nonprofit sector and the public sector as

institutionalised, in that a core imperative driving organisational behaviour is the maintenance of legitimacy and social fitness.

More latterly, neoinstitutional scholars have warned against an overly deterministic application of the analytical distinctions between the two (Powell, 1991, p. 184), arguing that they are a matter of degree. The reality is more complex, as all sectors or fields are more or less institutionalised, and all have to respond to institutionally derived demands. The question is not whether the nonprofit sector is institutionalised, but whether the sorts of change processes emerging illustrate broader processes, which will fundamentally reconstruct the contemporary experience of the sector. Reformulated, the question posed is whether neoinstitutional theories of change provide a useful explanatory and predictive framework in the contemporary nonprofit context.

One neoinstitutional scholar, Jepperson (1991, p. 152), lists four types of institutional change: institutional formation, institutional development, deinstitutionalisation and re-institutionalisation. Of these, the latter two are of interest. He defines deinstitutionalisation as the exit from one institutional order, while reinstitutionalisation 'represents exit from one institutionalisation and entry into another institutional form, organised around different principles and rules.' These two processes are taken up by Oliver, who specifies the conditions which promote deinstitutionalisation (1992). Responding to criticisms of neoinstitutional theory (Reed, 1992., Perrow, 1985), Oliver reinserts an explicitly political dimension in her framework. The antecedents to deinstitutionalisation identified by Oliver (1992) may be grouped under the following categories:

Political Antecedents:

- a mounting performance crisis in the field,
- growth in intra-sectorial and intra-organisational criticism by participants whose interests or beliefs conflict with the status quo,
- increased pressure for innovation from the environment,
- changes to external expectations of what constitutes procedural conformity.

Functional Antecedents:

- withdrawal of rewards for institutionalised practices,
- economic criteria of efficiency and effectiveness begin to conflict with institutional definitions of success,
- organisations experience increases in their technical specificity or goal clarity.

Social Antecedents:

- changes in the composition of the workforce contributes to normative fragmentation,
- boundaries demarcating organisations are redrawn as a result of organisational mergers,
- changes to the broader statutory environment.

The sorts of processes occurring in the field can be subsumed within Oliver's framework. Firstly, there is substantial evidence that political antecedents to deinstitutionalisation of the nonprofit human services sector are gathering force. For example:

- The Monitoring, Evaluation and Review process being developed by the Queensland Department of Family and Community Services.
- The widespread use of service agreements and performance indicators heralding a shift to output-based models of funding. These are already widely used in NSW, Victoria, South Australia, Western Australia and Queensland.
- Attempts to benchmark the nonprofit human service sector, for example that conducted by London Economics for the Industry Commission Inquiry into Charitable Organisations.

- Increased concern by central agencies of government about the conduct of grant programs by line agencies (see for example a recent publication by the Australian National Audit Office, 1994 and the Queensland Treasury, 1994).

Such processes are part of a broader push to reconstruct state-nonprofit relations. More specifically, they are attempts to incorporate funding relationships with the nonprofit sector into the competitive tendering regime of the state. While still quite recent, these developments have been interpreted as attempts to incorporate the production and delivery of human services, irrespective of the site of delivery, into the overall framework of industry competition policy (see for example May, 1994., O'Neill and McGuire, 1994). In Australia, such processes draw their legitimacy from the macro-economic policy of increasing Australia's competitiveness through encouraging competition within the economy (Hilmer, 1993; EPAC, 1991). Instead of funding relationships being constructed in terms of partnership and collaboration, the reformulated relationship is constructed in terms of purchaser (the state) and provider (any organisation irrespective of form).

Such developments are underpinned at the political level by neo-liberalism (also known as economic fundamentalism or economic rationalism), and stand in stark contrast to the social democratic political ideologies which informed the construction of Australia's modern welfare state in the post war period (Rees, Rodley and Stilwell, 1993). These same essentially keynsian principles also informed state-nonprofit relations in which the sector did pretty well what it wanted, albeit with limited state funding, as the main game in policy terms was conceived to be elsewhere. The contemporary political agenda of 'reinvented government' (Alford, O'Neill, McGuire,

Considine, Muetzelfeldt and Ernst, 1994), in part, involves reconstruction of the welfare state, and the patterns of service delivery developed within that. Pre-existing patterns are exposed to critique, which regards them at best as anachronistic, and at worst, core features contributing to the welfare state's failure to ameliorate social ills.

In terms of Oliver's (1992) framework, this agenda and associated pressures constitute political antecedents to deinstitutionalisation. Much of the widespread reform agenda in the community services is predicated on disenchantment articulated by governments with existing organisational practices, manifesting in pressures to adopt new practices and modes of behaviour. These political processes may also contribute to the development of what Oliver calls the functional antecedents to deinstitutionalisation. As a result of the compromisation and subsequent devaluation of existing organisational practices, their worth erodes, and pressure mounts on nonprofit organisations to develop and adopt alternatives.

Shifts in the logic of service delivery activity from provision of care to production of products appear to be occurring, a consequence of what have been identified here as essentially political processes. The introduction of politically inspired output-based funding, performance indicators, and contractual arrangements, are also likely to induce functional pressures. For example, the development of performance indicators and outputs has the potential to redefine service delivery, and administrative behaviour, so that some organisational activity falls within the definitions while others are excluded. Those activities identified by performance indicators, and rewarded by output based funding, may be retained, at the expense of those that are not.

A second type of functional pressure containing the capacity to reconstruct organisational practice and service delivery can be found in attempts to develop standardised accounting tools and accreditation systems for nonprofit organisations. Again, while the impetus for both is drawn from essentially political processes, each, in turn, may promote functional pressures, which serve the dual purpose of standardising nonprofit organisational behaviour, and contributing to increased transparency for outside observers.

The first of these is a proposal to develop standardised accounting practices specifically designed for nonprofit organisations. The lack of standardised accounting tools for the sector has been noted by a number of commentators, particularly as that constrains accountability of the sector for its financial management to various constituents (Industry Commission, 1994, p. 179; Kent, 1993, p. 2; McGregor-Lowndes and McDonald, 1994, p. 14; 1993, p. 22). In 1994, the Australian Accounting Research Foundation developed a number of recommendations which, if adopted by the states, will provide a framework for standardised financial management and reporting.

The second trend is the introduction in some areas of the human services sector of accreditation processes. Constructed within a framework of quality improvement, both the Community Health Accreditation and Standards Program (CHASP) and the Quality Improvement and Accreditation System in child care are being implemented within nonprofit service providers (Community Health Accreditation and Standards Program, 1993; National Childcare Accreditation Council, 1993). Both systems identify a number of 'standards' (community health), or 'principles' (childcare), designed to reflect contemporary notions of what constitutes 'quality' services and 'good' management. Performance indicators for each standard or principle have been

developed, against which participating services assess their performance. Both unambiguously incorporate a model of service delivery and management, which participating organisations strive to emulate. In doing so, both implicitly assume that the value of some existing practices are compromised, and that the recommended practices represent improvement.

While the impetus for the accreditation systems have been informed and carried by professional bodies in the respective fields, the state plays a significant role in their promotion, illustrating the political genesis of both. In the case of childcare, for example, Commonwealth childcare assistance to childcare centres (fee relief), is contingent upon centres registering with the National Childcare Accreditation Council, and making satisfactory progress towards the standards nominated. While superficially, standardisation of accounting procedures and accreditation of human services appear dissimilar, their overall impact is not. That is, both will contribute to standardisation of organisational behaviour, while at the same time increasing the capacity of stakeholders such as the state to monitor and evaluate organisational behaviour.

The process of developing service agreements and other contractual forms emphasising outputs, may also constitute functional pressures for deinstitutionalisation, by decreasing goal ambiguity, and increasing technical specificity. For example, a nominated output might include the provision of Z units of X and Y types of service to N consumers. While not avoiding the epistemological problems of whether the indicators of X and Y types of service reflect the complex reality (Harries, 1993; McDonald, 1993; Mayo, 1992), the degree of specificity is vastly increased when couched in terms of specified outputs, as opposed to global, often ambiguous goals couched in terms of process.

At the sector level, political pressures to subsume the human services into the world of industry result in functional pressures, which in turn contribute to the impetus for the redesign of the logic of service delivery into that of production. Such functional pressures find expression in a number of events and processes, for example, the slow and piecemeal extension of award coverage across the sector, and the gradual adoption by the sector of the term 'industry' in self descriptions (see for example, Byrne, 1990; Lewis, 1990; Community Services Victoria, 1992). Recent developments have witnessed the sector being drawn firmly into the industry training agenda of the Commonwealth and State governments, exemplified by the establishment of industry training and advisory boards in each of the states.

Oliver's formulation (1992) also indicated that social pressures will contribute to the deinstitutionalisation of a sector. One mechanism she proposed was through the impact on organisations of changes to state law. A recent example in Queensland concerns the Workplace Health and Safety Act (1995), which makes Queensland the first and only state to make specific statutory provision for volunteers. By expanding the definition of 'worker' within the meaning of the act, it renders organisations who use volunteers liable to implementation of workplace health and safety provisions in respect of them. In doing so, such legislative provision reconceptualises, reformulates and restructures volunteer labour in the same manner as remunerated employees. To avoid breaches of the act and the penalties they attract, organisations using volunteers will have to develop extensive protocols and processes which will mediate volunteer interaction with the organisation.

Another example arises from the impact of judicial decisions, applying statutory provisions within the nonprofit context. Spurred by the collapse of the National Safety Council and the subsequent successful litigation by the

Commonwealth Bank against members of the board under the Companies Code, the decision made it clear that the obligations and liabilities of an honorary board member of a nonprofit organisation are no different from company directors (Sievers, 1992). In the era of increased contracting out nonprofit human service organisations increasingly face the risk of litigation, risks which the state (afforded statutory crown immunity and as a self insurer) did not need to face (ibid., p. 2). Developments such as these have generated calls for, interest in and perhaps adoption of risk management strategies developed by for-profit business managers (McGregor-Lowndes, 1992), which may in turn impact upon organisational behaviour.

Oliver also hypothesised that social processes contributing to deinstitutionalisation would occur as a result of normative fragmentation, or a loss of consensus or agreement among organisational participants about what they are doing (1992, p. 575). The demographic composition of employees in nonprofit human service organisations appears to be shifting, which may contribute to a reformulation, as opposed to fragmentation, of the existing normative order. The impact of professionalism in the organisations targeted for analysis in Queensland appears to be increasing. Comparing the profile of educational and professional backgrounds of employees matched that conducted by others in the sector (Walker, 1989; Byrne, 1990; National Community Services and Health Training Steering Committee, 1991).

All found that low levels of professionalism exist in the nonprofit human services sector, along with serious skills deficits. To address this, industry training plans have been developed, which herald a significant expansion of vocational education in the human services. At the same time, professionally qualified occupations in the community services industry are predicted to grow at a very rapid rate. The projected growth rate for psychologists and social workers between 1986

and 2001, for example, is 93% and 83% respectively (Department of Employment, Education and Training, 1991).

Expansion of professional and vocational education in the sector has the potential to reconstruct the normative framework of the field constructed in terms of expert knowledge and a professional project. One mechanism whereby this is already occurring is evidenced in the accreditation systems previously described. In both, the principles and standards have been developed by professionals within each sub-sector, drawing upon professional bodies of knowledge. Whereas existing normative frameworks within organisations are constructed around certain commonalities of experience (as consumer, as volunteer, or as religious or political activist), these stand to be replaced by another or others, constructed around professional frameworks of practice.

A similar process is underway with the importation of Total Quality Management (TQM) into the nonprofit sector (Bradfield and Nyland, 1994; Industry Commission, 1994). In this case, existing normative frameworks are being expropriated within the language and framework of TQM, which bears remarkable similarity to that employed in the sector. Quality programs, its adherents claim, place managers and employees 'physically and emotionally close to the customers' (Boyett and Conn, 1992, p. 13); quality programs are driven by the interests of customers (Krodupleski, Rust and Zahorik, 1993, p. 82). Replace the word 'customer' with 'consumer' and the sentiments of TQM resonate with sectorial wisdom. As Bradfield and Nyland (1994, p. 2) state:

Total Quality Management has at least some philosophical characteristics that appear more in tune with community sector management than most.

In summary, the theorised process of deinstitutionalisation, identified by Jepperson (1991) and specified by Oliver (1992), provide a useful explanatory framework for the evidence of instability in the sector. However, it is far from clear what the outcomes of deinstitutionalisation will be. In theoretical terms, can neoinstitutional theory guide general prediction of the likely consequences of deinstitutionalisation?

Reinstitutionalised Organisations?

Jepperson (1991) proposed that institutional change can involve both deinstitutionalisation and reinstitutionalisation. The processes of change impacting upon the sector illustrated here draw substantial impetus from the state. Having said that, it also appears that the state is attempting to remake itself, a process encapsulated by the phrase 'reinventing government'. In neoinstitutional terms, the state and its agents appear to be undergoing a period of institutional change, in which it is adopting aspects of an alternative institutional order. In short, that order, called the 'contract state' (Alford and O'Neill, 1994) is that of the market (Mascarenhas, 1993; Pusey, 1991; Yeatman, 1987). Recalling the earlier discussion of the technical and institutional dimensions of organisational sectors and environments, the state appears to be shifting along the continuum towards the 'technical' end, as it pursues the newly valorised goal of efficient production.

Often known as economic rationalism along with its operational wing managerialism, the process involves the incorporation of the image of the market and market-like relationships into public policy and the state. Spurred by a rejection of keynsian economic management, the policy regime of a mixed economy and the

welfare state have been, and are still in the process of being superseded by the ideal and practices of the market (Muetzelfeldt, 1992, p. 190). Two related processes can be distilled from what is a complex and all embracing agenda.

First, the organisational operational strategy of 'managerialism' has been incorporated into the organisational practices of government instrumentalities. In doing so, market and market-like modes of organisation have been adopted by the state (Considine, 1990; 1988). Second, policy initiatives of the state have created markets and pseudo-markets in many spheres of operation, fundamentally altering the mechanisms of service delivery and consumption (Muetzelfeldt, 1992, p. 191). In the human services field, the introduction of contractual arrangements between funding bodies and funded organisations introduces a pseudo-market characterised by state-defined incentive structures, and a type of competition. Similarly, service consumers are incorporated into the new 'market' by being reformulated as 'customers', purchasing tailor made and individualised services within a differentiated competitive market.

The impetus for the sorts of shifts described here have been characterised by some as a 'crisis' in the welfare state (O'Connor, 1973; Graycar, 1983; Offe, 1984), and by others as reflective of the ongoing process of contest over the legitimate terrain of the state (Beilharz, Considine and Watts, 1992, p. 17). Much of the contemporary crisis, or contest, has been constructed in terms of loss of faith in the state. In effect, the state has been subjected to a mounting performance crisis, growth in internal criticism, increased pressure for innovation, and changes in external expectations of what constitutes appropriate behaviour. In short, the state has been subject to the sorts of intense political pressures, theorised to act as antecedents to deinstitutionalisation (Oliver, 1992).

Adoption by the state of market-like principles and practices, have the overt effect of making the state appear more efficient and effective, as that is understood within contemporary dominant. post-fordist perspectives of management. This image of increased efficiency and effectiveness is, in part, achieved by reconceptualising the productive processes (delivering services), into more specific 'technical' models. However, the theories, techniques, models and prescriptions informing re-organisation of the state's productive process are themselves imbued with a normative agenda. Underlying the appearance of increased specificity or technicality, is an entire set of untested ideological assumptions, which reflect the legitimised ideological framework of the market as institution (Pollitt, 1990, p.11). In doing so, conventional social scientific analysis acknowledging the socially constructed nature of markets themselves (Whitley, 1992), is ignored. This market driven, pseudo-technicality, masking its essentially ideological character, may be conceived as the new institutional order of the state.

The state, in its attempts to re-establish its legitimacy by incorporating a market model into itself, is establishing itself as part of the new legitimate institutional order. The new order is being carried from central agencies of the state to its service arms, and into the nonprofit human services sector., In theoretical terms, what appears to be a shift from an institutional order to a technical order (Meyer, Scott and Deal, 1981), is in fact the replacement of one institutional order with another (Powell, 1991).

Consequences

The sorts of processes described here represent a significantly broader trend than just the Industry Commission inquiry into charitable organisations. These processes have the capacity to change the contemporary experience of the nonprofit human service sector, a change which can be encapsulated within the notion of modernisation (Kramer, Lorentzen, Melief and Pasquinelli, 1993, p. 148). Nonprofit human service organisations have been characterised as 'early modern' (Landry and Mulgan, no date, p. 7), constructed within the framework and discourse of the nineteenth century. This early modern heritage finds expression within the old institutional order of the sector, an order which is in the process of being transformed into a new institutional order of the state as market, and of the market in its own right.

As a consequence, certain outcomes are likely. Some examples might be:

- a reduction in the voluntary dimension and voluntarism in the sector, due to shifts in labour market participation, as well as changes to the legislative environment surrounding nonprofit endeavour,
- an increased level and influence of professionalism, due to expansion in tertiary education, coupled with the importation of professional human service frameworks of practice into service delivery,
- increases in commercialisation in the nonprofit sector as organisations seek to expand their pool of discretionary funds,

- increased competition within the nonprofit sector, and between the nonprofit and for-profit sector as a result of the introduction of tendering by governments,
- increased professionalisation and sophistication in management processes in nonprofit organisations (modelled on for-profit management strategies), as a consequence in perceptions of increased liabilities.

What is not clear is the impact of these changes on service consumers. While constructed in the name of client benefit, little data exists about consumer outcomes of existing practices to provide a base line for evaluating proposed practices. Furthermore, analyses of similar processes in the United States, the United Kingdom and Western Europe have not resulted in unequivocal data about whether the net result has been client benefit, or client disadvantage (Kramer et al, 1993; Salamon, 1993). This latter issue represents a research agenda in its own right, one, which while related to that explored in this paper, is fundamentally distinct. The issues charted in this paper, however, identify some of the dimensions of the emerging context in which human service delivery is constructed in the nonprofit sector. Empirical exploration of these processes may serve to set part of the framework for evaluating consumer outcomes in a reinvented Australian welfare state.

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