

Competition in the Voluntary Sector:
The Case of Community Based Trainers in Alberta ©

Walter J. Hossli
Muttart Fellowship
e-mail: walter@mcc-ed.org

Muttart Foundation
1150 Scotia Place
10060 Jasper Avenue
Edmonton, AB
T5J 3R8

Website: www.muttart.org

October 2000

Acknowledgements

When this project was started, I had a clear idea of what needed to be looked at for this project. However, I was much less clear about how to go at this task. The advice and support I have received from Norma Thurston has proven invaluable. I highly appreciate her guidance, encouragement and critique. Paul Reed has given critical input from the perspective of one who has done research in this important field. Thank you also to my research assistant, Zenia Tejada, who made the analysis much less of a chore. I have also received support and, or important referrals from, Patricia Bond, Elvin Collins, Gordon Floyd, Al Hatton, Irene Hoffart, Mike Lewis, Garry Loewen, Lorraine Moulding, Susan Phillips, Andre Piccard and Brenda Zimmerman.

As background to this study I had the benefit of seven years of work with Mennonite Central Committee – Employment Development (MCC-ED) in Calgary. I am grateful to the Program Board specifically Allan Hiebert and Abe Janzen. The staff at MCC-ED has done an outstanding job in my absence. I appreciate the leadership that Donnette Phillips provided during this year allowing me to focus on this project.

A special thank you to the Muttart Foundation for the funding for this program. Their forward looking approach and commitment to the growth and importance of the charitable sector and its leaders is commendable. Bob Wyatt provided me with valuable counsel and encouragement.

Competition in the Voluntary Sector:
The case of Community Based Trainers in Alberta

Table of Contents

	Page
1.0	Summary 1
2.0	Background
2.1	Introduction 3
2.2	Study Rationale and Focus 5
2.3	Purpose 6
2.4	Key Definitions 7
3.0	Literature Review
3.1	Community Based Training Model 7
3.2	Social Factors 9
3.3	Funding Factors 12
4.0	Research Structure
4.1	Questions 14
4.2	Method 15
4.3	Sample 15

5.0	Results	16
6.0	Discussion	27
7.0	Recommendations	30

Appendices

A. Contracting and Contract Management of Alberta Human Resources and Employment

B. Research Questionnaire

1.0 Summary

This project is the result of the Muttart Fellowship received by the author, a sabbatical made possible by the Muttart Foundation. The author has been working in the field of Community Economic Development for the past eight years at Mennonite Central Committee as the Director of the Calgary based Employment Development Program. The research was conducted with the help of two key advisors. Norma Thurston is a researcher in the health care field, and Paul Reed is a senior Social Scientist with Statistics Canada. Zenia Tejada, Research Assistant, provided support by collecting and compiling the questionnaire results.

The last decade of the 20th century has seen the introduction of competition by funders of the voluntary sector. Since the mid-nineties some social service agencies go head to head in bidding for government contracts. How has this changed their activities and how do they assess this new situation? These have been the central questions used to guide this research project.

In Alberta the changes to the delivery of social services have been evident since the early 90's. Voluntary agencies active in Community Based Training (CBT) were required to compete for contracts after the signing of the Labour Market Training agreement between Ottawa and Alberta in 1996. The competition studied here is the result of being thrust into this commercial framework by the new policy of the Alberta Government to tender all government projects valued at more than \$20,000. It is hoped that highlighting the key competitive activities and their perceived effects will add both knowledge and understanding of the issues faced by the voluntary sector.

Most (CBT) organizations in Alberta are charitable organizations valuing the participant focused model of training that has been proven successful for many years. Rooted in its holistic approach to training, the key philosophical principles are barrier free access, autonomy of participants, sensitivity to individual needs of participants and non-discriminatory anti-racist policies. Programs are designed for maximum quality at a reasonable cost.

The introduction of competition to the field of social service delivery has come simultaneously with the broader move by governments away from grants to contracts so that, in the final analysis, agencies now compete for public legitimacy. Perhaps as the result of the public's

demand for greater accountability, governments have introduced stringent conditions to such contracts. In Alberta, full payment of contracted services is tied in part to the achievement of sustained outcomes achieved by program participants. Another demand by the public has been the move toward improvement in collaboration among voluntary agencies. This demand for collaboration on the one hand, and the introduction of competitive funding structures on the other, is presenting some agencies with difficult choices.

Current literature and research conducted in other geographic areas and in the general field of the voluntary sector was reviewed and a questionnaire developed to focus on the research questions. The questionnaire was pilot tested, revised and then used to survey 15 CBT's who were selected from among 50 training providers for broad representation of size and geographical location.

Questionnaire results indicate that the majority of the CBT's in Alberta have chosen to participate in the new competitive funding structures and that they consider themselves to be successful. They have increased their marketing efforts at many levels and have widely adopted business principles. These moves have been credited with greater efficiency and more focused programming. However, some uneasiness is apparent in their articulation of challenges.

The most important findings include:

- Most CBT's operate in a continuously competitive mode, defined as rivalry with other service providers.
- There is a stronger focus on outcomes, but the resources to measure these adequately are considered too small.
- Cumulatively, the changes have heavily impacted staff: need to satisfy increased demands from all stakeholders, increased workloads, pressure to achieve and to be better than their competitors, etc. Some respondents connect these observations with higher staff turnover and others with a stronger resilience.
- Various demands have increased the need for more administration and sophistication of financial and other systems.
- The nature of the relationship with funders has changed because of the need to treat them as clients and continuously impress them.
- While the focus of most programs has become narrower, some CBT staff are concerned for clients who can no longer qualify for programs while other CBT staff believe the current programs to be more effective.
- It is not clear if the new funding structures are saving money. cursory evidence suggests the opposite, as agencies find it necessary to dedicate more resources to programs in order to achieve success.
- Overall the voluntary sector has made efforts to becoming more "business-like" (watching the bottom line, producing surpluses for sustainability, increasing professionalism, etc). While observations and effects of this trend are touched on here, this area requires needs both research and debate.

2.0 Background

2.1 Introduction

The 1990's have seen tremendous changes in the delivery of social services. The call for both partnerships and accountability by the public, the devolution of power to provinces, program and funding cuts and rapidly changing needs are the themes at the macro level that have influenced day-to-day activities of providers of services. In the midst of all these changes in Alberta, competition has been introduced by the government as a means of procuring services. Governments still make up the largest single funder of services for most voluntary social service agencies. However, funding now comes after winning a contract through competitively tendered proposals, instead of grants given to tested programs. Most of these contracts specify a fee for service structure, which outlines when and how a service provider is paid for services delivered. In response, many agencies have adopted a business-like approach to continue to attract funding. In addition, pressures to adopt the dominant market paradigms have increased commercialization of the voluntary sector. These trends have been felt keenly in the sub-sector providing employment and self-employment training: the Community Based Trainers.

Alberta has been early off the mark in taking on delivery responsibilities for programs formerly delivered by the federal government. The signing of the federal-provincial devolution agreement for job training - the Labour Market Development Agreement (LMDA) in December of 1996 between Canada and Alberta precipitated a new system of service delivery. The new system is based on an open bidding process advertised electronically and structured as fee for service contracts. The entire LMDA transfers approximately \$100 million per year to the Province of Alberta. The new system in Alberta offers many commercial and charitable providers an opportunity to "do business" for the Government. At the same time large educational institutions have been interested in participating because of their need to replace some of the Government revenues lost to cut-backs to their block grants.

These and other factors have contributed to a rapid increase in the competition for funding of employment training. Surveys of Executive Directors have also found an increased fear about agency survival. One in three Executive Directors believes that their agency is at risk of closing with this process (Wolfson & Lodzinski, 1997; Reed & Howe, 1999). While some people believe that head-to-head competition has been a much-needed ingredient to ensure quality programs, others believe that it brings with it inherent dangers when it is imposed on charitable/voluntary organizations. Some fear the loss of "the heart" of these organizations as a result: a value base building on cooperation and public ownership of ideas and programs. As some key informants to a survey of Community Based Trainers have identified in 1997 the federal-provincial devolution of training and the attached shifts in funding mechanisms are seen "as a massive undertaking that will place the entire education and training sector under considerable stress for a number of years." (Wolfson & Lodzinski, 1997). There is a need to examine the types of activities involved in securing funding and surviving in this environment to provide job training and self-employment training.

2.2 Study Rationale and Focus

While published literature has described some of the dramatic changes charitable service providers have undergone in the last ten years, the area of competition is discussed only briefly. When competition has been described it has generally been restricted to the area of fundraising. Staff and Executive Directors, however, readily articulate their uneasiness and sometimes their

utter weariness about having to compete against other agencies and the effects this has on their organizations. They refer to the type of competition that permeates all aspects of their work: competition as a result of being thrust into a commercial framework. This competition has not been addressed in the research literature possibly because of two distinct factors: Firstly, competition is new in the charitable sector and secondly the two main pressures brought to bear on charities do not speak to competition: the need to be and perceived to be accountable and the need to be and perceived to be collaborative.

Increasing competition as a result of private sector providers entering the traditional domain of the non-profit sector is a significant factor in the total picture. However, it goes beyond the scope of this research. The focus of this project is specifically on Community Based Trainers. The intent of this study is to highlight the problems for them as well as for the funders in the current environment. This environment continues to be characterized by rapid changes so that only a snapshot at a given point in time can be described suggesting the situation that exists at the beginning of a new century in Alberta.

The ideology of the competitive marketplace appears to dominate current language, measurement tools and definitions of value and success. As this trend has entered the charitable sector, it may have unintended consequences. For example, those charitable activities that cannot be measured by the market yardstick may be deemed less valuable. (Zimmermann & Dart, 1998) Therefore, as charities become more commercial in their approaches they may also be at risk of losing their defining characteristics. (Reed, Paul 2000).

An example of the kind of fundamental paradigm shift is the fact that many charities are watching their bottom lines closely. Commercial businesses are bottom line oriented. Costs are incurred to generate future revenues; the bottom line is the critical factor in ensuring sustainability. In contrast, charities were historically top-line oriented, based on the relative inflexibility of revenues in the form of grants that are in place before the activities are performed. This orientation suggests that every dollar received (i.e. in the form of grants) can be used toward the charitable mission. In the past, many charities have simply needed to “break even” in order to continue to be viable. (Zimmerman & Dart, 1998). Today they need to generate surpluses in order to “stay in business”.

Training providers in Alberta have been required to adopt commercial principles to continue receiving Government contracts. Past research indicates that it is easier for some organizations to make those adaptations. Organizations in greatest need of funds (i.e. programs serving the poor) are those least likely to be able to create commercially viable operations. At the same time the population they serve may well be the neediest. As Skloot, (1987) has pointed out, this might separate successful groups from those that are less successful at commercial activities and, in the process, enhance their visibility and fundraising ability at the expense of others. (Skloot, 1987)

2.3 Purpose

The purpose of this study is to highlight key competitive activities voluntary agencies now undertake to provide their services and survive the current environment. Recommendations aimed at alleviating some of the negative aspects of this new reality will be made for funders,

service providers and stakeholders. In response to interests expressed by people familiar with the sector's situation such as Executive Directors, academics, board members and workers for funding organizations, it is hoped that findings increase the knowledge base of the charitable sector and in turn increase understanding of the issues faced by voluntary organization.

2.4 Key Definitions

Non-profit, Charities or Voluntary Organizations: While each of these terms can refer to a distinct and separate group of organizations the terms are used interchangeably for this project. The entire nonprofit sector in Canada is made up of approximately 170,000 organizations of which 78,000 are charities, approved by Revenue Canada to receipt tax-exempt donations.

Community-based training (CBT) is a participant-focused model of training and/or pre-employment preparation. In Alberta, CBT has been developed and delivered by registered, not-for-profit organizations, most of which are registered charities (ONESTEP, 1999).

Partnerships/Collaboration: Partnership can be described as a relationship involving the sharing of power, work support and/or information with others for the achievement of joint goals and/or mutual benefits. The essential elements are: common objectives, expectations of mutual benefits, joint action, shared contributions, and some degree of shared power and shared risk and therefore some measure of shared accountability. The concept is described as a continuum from "insular" on one end through "collaboration", "partnership" to "merger" on the other end (Phillips & Graham, 1999). "Partnerships occur when two or more parties enter into an agreement to combine their expertise, property and/or labour to work together toward the achievement of common goals, while sharing both profits and losses and mutually accepted associated risks". (Kitchen, P. et al., 1998)

Competition: operating in a state of rivalry (Webster, 1981); Activities that may be involuntary or forced in the effort of securing future funding or contracts (Reed P. 2000).

3.0 Literature Review

3.1 Community Based Training Model

CBT has been alive in Canada for over two hundred years. Started by the cooperative efforts of early pioneer farmers in the late 18th century to train farm workers, the concept grew as governments provided matching grants to groups offering training. As urbanization and immigration increased the sector expanded rapidly in the early 20th century. For example in 1911 the YWCA offered a wide range of employment services for women to deal with thousands of requests from employers for trained workers. Later governments and school boards became responsible for job training and placement services. In the late 1960's CBT expanded rapidly as non-governmental agencies became eligible for grants. (ONESTEP, 1998)

CBT is delivered by voluntary agencies. These agencies are defined by: a concern about a social condition (i.e. unemployment); a moral imperative to respond; a strong sense of mission; working cooperatively, with a minimum of structure and a paradigm based on what is right (i.e. social justice, moral and spiritual concern) not primarily based on reasoning. (Reed P. 2000).

CBT is based on the following philosophical principles: a focus on the personal autonomy of participants; an holistic approach in which counselling and support services are integral; continuously working towards barrier-free access; cultural sensitivity (in the broadest sense) to the diversity and specific needs of participants and anti-racist and anti-discriminatory practices

and policies. The community-based training model's operating principles are in synergy with offering the highest-quality training opportunities delivered at a reasonable cost. Its success is rooted in its holistic approach to training. CBT recognizes and attempts to address the special and unique training needs of its client groups.

The delivery of CBT is characterized by three-way accountability to participants, community-based boards of directors and funders. It offers flexible training which addresses individual needs, preparation for entry, adjustment and/or re-entry to the labour market, individual and small group support within a non-institutionalized environment. The development of partnerships and the linking of community resources to achieve program/service delivery and advocacy goals are integral to programs.

CBT may provide individual vocational and career assessment, individual and group skill training, language instruction, academic upgrading, literacy and numeracy training, employment readiness, life/transition skills training, information and referral, individual and group counselling, individual and group advocacy, income maintenance and crisis support. Also, it may offer work experience, employment placement, job support and maintenance in collaboration with employers.

Two of the most impressive statistics of community-based training are its low "early leavers" rate and its high success rate. An early leaver is a person who departs from the program prior to completion of the training. The rate of early leavers is generally between 0% and 12%. In addition, community-based training has consistently high success rates when measuring outcomes. Success in this context is whether the graduate goes on to further training and/or education, or finds and maintains employment. Throughout Canada, the success rate is 70% and better. The client-centred approach, coupled with a high level of flexibility in programming to meet the needs of the client and of the labour market, contributes to the success of community-based training. (ONESTEP, 1998)

3.2 Social Factors Influencing Competition in CBT

The changes in social conditions within which the sector operates are not limited to government funding cutbacks of the early 1990's (Reed and Howe, 1999). The following are the key factors raised in recent studies.

1) The growth and impact of interagency competition for funds, volunteers and public support is shown to be significant. In the final analysis voluntary organizations may compete for public support and legitimacy. (Reed & Howe, 1999). Recent changes to government policy in the delivery of services transfer resources for training from the provider to the client for the purchase of training. This trend has some CBT providers concerned about their ability to compete successfully because of the need to market their programs to their client base (Wolfson & Lodzinski, 1997). Competitive frameworks have also been adopted by the agencies themselves to attract professional staff and maintain competitive levels of compensation. In the effort to respond to calls for greater efficiency, voluntary organizations have become bottom-line oriented. (Zimmerman and Dart, 1998). As Reed and Howe (1999) have summarized, some agency staff see these changes as strengthening their programs while others feel it is corroding the very essence of what voluntary agencies are. (Reed and Howe, 1999).

2) The voluntary sector has been subjected to two important requirements: accountability and

collaboration: Among other things, the demand for accountability requires that program outcomes be measured and reported. Many organizations have attempted to measure outcomes; few have the resources and systems to do this adequately. The final report of one of the most high-profile projects involving the voluntary sector, the “Panel on Governance and Accountability in Canada’s Voluntary Sector” has focused attention on these issues. At the same time some funders already have moved to have program cost paid on the basis of achieved outcomes. The Broadbent Report has sounded a loud note of caution to funders and Governments “...who, riding the contemporary wave of performance measurement, may wish to impose such assessment without full understanding of its limitation. Done badly, linking outcomes to funding can shift resources from service delivery to measurement with no offsetting benefit to programs” Thus it can penalize prevention, program development and programs with harder- to-measure outcomes, promote “creaming” (selecting participants who are more likely to succeed) inhibit innovation, punish risk taking and discourage inter-program cooperation. (Broadbent et al.1999, pg. 36). This discussion and the practical experience of outcome measurement have shown that measuring outcomes is far more complex than initially assumed. At best it demands increased capacity of the agencies to carry out the work of measuring outcomes appropriately. The funding mechanisms attached to outcomes have some stakeholders concerned about the possible consequence of excluding equity groups (Wolfson & Lodzinski, 1997).

3) There is a demand for collaboration. The number of cases, agencies and demands of the charitable sector have increasingly overwhelmed the general public. Organizations are encouraged to collaborate and develop partnerships, to work together in the hope that fewer resources will be needed. It is assumed that administration is an unnecessary evil and that by eliminating duplication resources can be used more efficiently. “While appealing conceptually, collaboration may be difficult to achieve because the environment in which voluntary organizations operate has become increasingly competitive and organizations feel the need to protect their own competitive advantage” (Phillips & Graham, 1999)

4) Canada has moved away from a society recognizing both individual and collective rights and responsibilities that supported the development of secondary organizations as vehicles for participation in society. The last ten years have seen a fundamental shift to an emphasis on individual responsibility for one’s own well-being. “We are moving from a high regard for the principles of social justice to a willingness to tolerate considerable interpersonal inequality and from support for collaboration to protection of self-interest.” (Phillips, 1996)

5) The area of employment training has been influenced by economic changes that brought part-time work and permanent job insecurity. “The workplace is being transformed by the shift to part-time work and the decline of the life-long job”. (McFarlane & Roach, 1999). These trends have increased the need for training as many jobs require, for example, computer proficiency. At the same time technology is affecting the way people learn. (Wolfson & Lodzinski, 1997). Moreover, fluctuations in the unemployment rate have had an effect. For example, Alberta has seen some of the lowest rates of unemployment in Canada. However, while fewer people are unemployed, those facing unemployment often are more disadvantaged.

6) The widening gap between the rich and the poor increasingly has been recognized in the past ten years. As Governments have focused on spending reductions, the number of programs addressing the needs of vulnerable populations has been reduced. Access to both welfare and unemployment insurance benefits has been restricted. Some people have been “kicked off” these systems as a result of their inability to live up to new expectations. At the same time the service sector of the economy has continued to increase the number of job opportunities primarily for lower paid part-time workers. Many front line workers in the charitable sector see increased numbers of people who are working but are not able to afford the basic necessities of food, shelter and clothing. Most of these individuals no longer qualify for government training programs, because they are not unemployed. Some staff of service providers report that they are sending individuals to the food bank to augment their meager wages.

3.3 Funding Factors Influencing CBT

1) The manner in which Government money is made available to service providers (i.e. charities) has changed radically in the last ten years. This has led to consequences more serious than just the reduction of resources through cutbacks. “While public discourse and debate about the voluntary sector has of late been framed largely in terms of the consequences of funding cutbacks that are presumed to be deep and wide, we found that resource reductions occurred in modest measure and could not be attributed across the board to large-scale reduction in government spending on social services or financial support to the voluntary sector” (Reed & Howe, 1999). However, while Governments have moved away from core funding of agencies they once deemed essential for maintaining the social safety net, simultaneously they have moved to contracting for specific services that they design. Most of these government contracts have many conditions attached (McFarlane and Roach, 1999).

(a) Funding for labour market training increasingly is becoming attached to the individual client. This means that the client chooses the training provider and funding will follow. This trend has CBT providers concerned about their ability to compete successfully because of the need to market their programs to their client base (Wolfson & Lodzinski, 1997). Various levels of governments are using fee for service contracts extensively. These contracts require that services establish “deliverables” (a clearly measurable service component, attached to each participant). Contractors receive their fees for the actual service units delivered. Consequently, if a participant drops out of a program the fee is no longer billable.

(b) Other contract requirements include legal liability and insurance, record keeping, confidentiality, client qualifications and reporting. These increasing requirements have been observed in the entire social service voluntary sector, in spite of a heterogeneous field of operations, which includes health, education, social services, etc. (Reed & Howe, 1999).

(c) Changes in administering program funding occurred after Alberta assumed control of the federal funding provided for job training. All contracts over \$20,000 are posted on a national bidding system. In the case of Labour Market Training and Self Employment Training, there is a defined process and organizational requirements. The process requires access to information electronically, competition among prospective providers is at the core and ongoing government monitoring is an expectation. Financially, this process may result in a delay between expenditures

and cost recovery of monies as well as increase the sophistication of accounting systems. For a detailed description of this process see Appendix A.

2) Competition in fundraising has become intense and many voluntary organizations compete with each other. “The lack of stable funding often makes it hard for an organization to avoid being diverted by chasing project money, attached to priorities determined by the funder rather than by the organization or its constituency, and to stay true to its mission with the ability to undertake long term and strategic planning.” (Broadbent et al, 1999). Smith and Lipski (1993 pp.127-46) have called this the “...dance of contract management” – the chase for contract money drives the activities of the organization toward greater diversification in order to win more contracts to subsidize core operations, spinning it further and further from its original mission and expertise. “Competitive contracting has forced voluntary organizations both to specialize in order to compete better, and diversify in order to enhance their chances of winning at least some contracts on which they bid.” (Phillips & Graham, 1999)

3) Changes in the last few years have led to trends that, taken together, constitute a movement toward “corporatization” with a way of operating based on the template of large business firms. They include rationalization (maximizing organizational efficiency and eliminating activities not directly related to the core mission), formalization (making organizational structures and procedures explicit and codified), professionalization (seeking personnel on the basis of credentials and education-based expertise) and commercialization (operating in a competitive mode, generating funds through the sale of services, competing with other voluntary organizations as well as for-profit providers) (Reed & Howe, 1999).

4) A contracting-out environment is more favorable for larger non-profit organizations. Those that are larger often have professional staff and administrative capacities to cope with administrative overhead associated with government contracts and may be better able to obtain contracts. They also have more leverage in negotiating the terms of such contracts. “Organizations that serve the poor are especially vulnerable during government financial retrenchment”(Hall & Reed, 1998). As recent experiences in the U.S. (Shiff & Reed, 1990) and British Columbia (Rekart, 1993) show, organizations attempt to recover lost government revenues by implementing or increasing fees for service and by increasing business activities.

In summary, since the early 1990’s, there have been many factors influencing the type and delivery of CBT programs offered by voluntary agencies. It is likely that these factors will continue to influence and change CBT in the future. However, there is a lack of information about the perceptions and coping skills of voluntary organizations relative to these changes. Such information would be useful to all stakeholders to aid in planning, policy and goal setting as well as in service delivery. Consequently this project was undertaken to document how agencies have responded to the changes and how they have managed collaborative and competitive activities.

4.0 Research Structure

4.1 Research Questions

- How has the change to a competitive contract-funding model affected CBT providers and how are they responding to it?

- What are the key competitive and collaborative activities for CBT providers?
- How have societal changes affected the CBT model?

4.2 Research Method

A descriptive survey of a sample of Alberta voluntary organizations offering CBT was undertaken in the winter of 99/2000. The survey questions were developed on the literature review, the author's own experience and interest and suggestions from other experts in the field. Twenty five CBT providers were contacted by phone to explain the project and ask for participation. 17 organizations agreed to participate and received a questionnaire, 15 of which were returned.

4.3 Sample

The community Based Training Sector is comprised of approximately 50 agencies spread across the province. All of these agencies are non-profit agencies and 80% are registered charities. Many of them are members of the Alberta Association of Community Based Trainers. Participants were selected based on geographic location and size in order to provide the maximum diversity using a relatively small sample. The following diversity was achieved:

Geographic distribution: 1/3 from Edmonton

1/3 from Calgary

1/3 from outside the major urban centres

Size: 23% with revenues under 1 million dollars

46% with revenues between 1 million and 4 million dollars

31% with revenues over 5 million dollars.

80% of the respondents had worked in CBT for between 5 to 20 years. Most respondents are either totally or partially dependent on government training contracts for their own jobs. Only 15 % do not need to raise any funds through government funded programs to support their own positions.

4.4 Instrument

A research questionnaire (Appendix B) was developed and distributed to the selected providers. Content validity was assumed based on the author's experience in the field of CBT and Community Economic Development, the literature review and review of the questionnaire by experts in the field. The instrument was pilot tested in January by two CBT staff and minor revisions were made.

Questions were structured using the following methods: 50 three-response options about competitive and collaborative activities and their perceived effects, 17 forced choice questions and 15 open ended questions took approximately one hour to complete.

5.0 Results

Question 1: How has the change to a competitive contract-funding model affected CBT's and how are they responding to it?

One respondent: *"Contracts are no longer delivered by the organization that does the best work with the clients and are not based on successful delivery. It is based on the best proposal".*

Major themes that emerged from categorization and analysis of the data gathered follow. Direct quotes have been italicized.

Operating in a competitive mode

Three quarters of the organizations surveyed operate competitively, in rivalry with other service providers. Many are highly aware of their own turf and work with their competition in mind: *“Ensure that gaps do not allow competitors to move into area of our service”*. Some organizations research their competition’s activities in an effort to plan more unique and innovative programs than their competitors. The working relationships with other agencies appear to be less open and less positive than previously. *“The whole field of fund development and competition has pitted us against one another, why collaborate?”*

Focus on Outcomes

The introduction of the new contracting system by the Alberta Government adds new elements to which organizations are required to respond if they chose to bid for contracts. One such area is the measuring of outcomes. Almost all agencies measure the results of their programs. However, many do not have sufficient resources to do so. Attention is directed to measuring individual client outcomes. 60% of the respondents observe they do not have adequate resources to measure outcomes. *“Human resource time and dollars required are not sufficient as funding to allocate to this is not available.”* Many organizations make due by allocating staff time of the supervisors to this area.

“Performance measures are critical to continued funding by government agencies”. The Alberta system provides a financial incentive for successful outcomes: 15% of the total contract value is billable only after successful outcomes (as defined in the contract) have been reported 3 or 6 months after the program is completed. However, as some observe this does not automatically bode well for clients: *“Focus on these measures sometimes impacts a humanistic regard for clients altering the client to a “product” who will be engineered to create an ‘outcome’ ”*.

Increased demands on staff

Agency staff is at the centre of new pressures. Workloads have increased. Staff deliver new “value added” services to clients in order to win contracts and maintain results. Clients themselves have higher expectations about the services as the choice of providers has grown. As funding has diversified, fundraising activities require more staff time.

The demands of community partners also have increased. For example, many Community Based Trainers work with employers to place clients into jobs. Employers now expect that trainees are

able to function at high performance right from the outset. Staff must satisfy these demands if their clients are to succeed.

The need to demonstrate the achievement of outcomes (which depend to a great extent on a client's willingness and ability to follow through) in order to receive full payment adds financial pressure on program staff. Client files are more extensive, written proposals are more sophisticated and the need for marketing programs is constant. More time is spent both on planning and systems maintenance. Taken together these factors have led to the observation that workloads have sharply increased both for administrative and for front-line CBT staff.

For some organizations higher workloads have resulted in higher staff turnover. Administrators are encouraged to be sensitive and deal with each staff person's needs. For other organizations stressors have led to a stronger team. The realization that *"we have to be better than the others"* leaves some staff uncomfortable (*"competition for clients is hard for staff to deal with"*) but for others this *"motivates them to be the best they can"*. Some agencies are experiencing pressure to adjust salaries in an effort to attract professional staff: *"whomever pays the higher wages attracts the better qualified individuals and is able to retain them for a longer period of time"* Most respondents acknowledge that the transition to the new system has been difficult and has caused stress and anxiety.

Greater focus on administration

Respondents are unanimous about administration requiring more time and effort under the new system. It is even seen as the key to success by some: *"More and more administrative time is required!! Whoever thinks that it's the administration that's the bogey man is kidding themselves. Administration is what will save the day..."* Specifically, the increased unpredictability of cash flow places new demands on financial management. Organizations receive the payment for services based on completing deliverables (milestones). This fee for service system means that *"accounting processes need to be more sophisticated and responsive"*.

Narrower client profile

With the introduction of the new funding system, both the client definition and the focus on attained outcomes require that clients meet all the criteria prescribed by funders. Many of the organizations have traditionally served "high needs" clients, some of who no longer qualify with these new criteria. *"With new regulations, we cannot help clients most in need"* One third of the respondents are unable to serve the clients they would like to serve. Fully two thirds are unable to offer some of the programs they would like to offer. The program goals and design are largely prescribed in the Request for Proposals. Some respondents call for greater flexibility. *HRE (provincial department) needs to recognize that you can't have "moulded" programs and try to fit everyone into that mould. There needs to be flexibility within the "mould"*.

Under the new system providers no longer are required to verify the need (i.e. through a community needs assessment) before submitting a proposal. The government has taken on that role. Some respondents observe that fewer referrals occur now because providers compete for the

right kind of clients who fit all the criteria. *“Very little referring is happening due to need to maintain numbers”*.

Changed relationship with funders

The new process requires a strict adherence to public tendering principles. According to some organizations this has changed the relationship with individuals working for funders, perhaps reflecting the fact that funders have now become clients. (see discussion below) Others continue to build the relationships while complying with the requirements of government funding. Little change has been observed in relationship with Boards and in regard to governance. *“Request for Proposal approach is viewed by workers to have a negative impact [on their relationship with funders]”*. *“I note frustration among workers regarding the impersonal approach”*. The need is felt by some to impress funders continuously by *“always giving them the best we can”*.

Cost efficiency

One of the key assumptions of introducing competition is usually a reduction of costs. However, respondents seem to suggest that the costs today may be higher. Fully 80% of the survey participants dedicate “more” or “significantly more resources” to programs. It is not clear if these additional resources are financial or if the additional costs are born by the funder. What is clear is that the overall effort to run a program successfully with the new system has increased. One specific area where all providers designate more resources today is the area of administration (see above). This puts charitable organizations into a double bind as the public expects them to operate with low administrative costs.

Mission Drift

The literature suggests that organizations under pressure to survive financially often adjust their mission. Study results seem to confirm this at least in part. While only one respondent stated that these programs no longer fit within the mission of the organization, for the others these programs fit only partially. Some had to adjust their mission to fit the new programs.

Becoming more “business-like”

In the past few years many voluntary organizations have been watching the bottom line, generating surpluses in order to avoid cash-flow shortages, writing business plans, etc. The organizations surveyed are split on their assessment of this trend. *“Being more business-like allows one to make better use of resources, however, one should be careful that the bottom line does not become the mission.”*

Sixty percent view becoming business-like as mainly positive. *“This [approach] has allowed our agency to provide the best possible service to our clients as well as, build on our internal resources to benefit our clients”*. *“We are spending public money. We need to be accountable. We are a business and should be managed appropriately.”* *“Often times we’re more efficient and effective than government”*

Forty percent see becoming business-like as mainly negative. *“A client tends to walk in the door with a dollar sign attached. What can I get for this client? What deliverables can I get [paid for]?”* *“The client is no longer the main focus, profit is.”*

Rating some of the effects

In addition to respondent's subjective comments to open-ended questions, they were asked to rate the effect of competitive contract funding on specific agency attributes (Table 1).

The greatest effect has been observed in the area of workload, consistent with the qualitative data. Also, the new model has affected organizational autonomy, as organizations feel pressure to work with partners who may not share their values. As well, half of the respondents observed an effect on the holistic approach of programming, as the new system does not allow the level of interaction required with clients .

Table 1
Effect of Competitive Contract Funding for Agencies

	A Great Deal of Effect (in %)
Workload to identify proposal opportunities	50
Organizational autonomy	50
Holistic approach to serving clients	50
Concern about agency survival	46
Cultural sensitivity	33
Development of partnerships	36

Quality of training overall	29
Participant focus	29
Integrity of CBT (please consult attached definition)	28
Workload to consider legal implications	0

Number of respondents: 15

Agency-wide responses to competition

Responses to a forced choice question about how an agency has responded to competition revealed that 87% of respondents have improved computer equipment and software. Most have opted to increase their marketing efforts in order to be successful. A majority of agencies have also approached other funders and corporations for support of programs.

Table 2
Agency Responses to Competition

	Yes
	%
· Improved computer equipment and software	87
· Hosted public events	80
· Redesigned visual presentation materials (i.e. brochures, posters)	73

· Approached other funders to co-fund CBT programs	73
· Developed new visual image package (logo, sign, etc.)	67
· Approached corporations for sponsorships	67
· Changed signage	53
· Hired or contracted a computer specialist, systems administrator	47
· Changed Business Cards	46
· Changed your governance model	33
· Hired or contracted an accountant/comptroller	20

Number of respondents: 15

5.2. What are the key competitive and collaborative activities for CBT providers?

“We try to keep up with funders’ increasing and changing demands.”

Collaborative Activities

Only four of 12 collaborative activities were seen to have increased with CBT providers:

- Act as a catalyst with other agencies to respond to community needs
- Deliver a joint new program with a formal partnership agreements
- Refer clients to another agency’s program(*)
- Share staff expertise with other agencies

* This seems to contradict the observations made by several of the respondents in the open-ended question section that referrals have decreased.

Table 3
Changes to Collaborative Activities with Competitive Funding Model

Collaborative Activity	Change w Competit
Decrease (%)	No Chang (%)
Deliver a joint new program with a formal partnership agreement	7
Act as a catalyst with other agencies to respond to community needs	20
Refer clients to another agency's programs	20
Share staff expertise with other agencies	20
Deliver an existing program with another agency informally (joint sponsorship)	14
Deliver a joint new program without formal partnership agreement	36
Provide letters of support for other agencies	13
In-kind (non-monetary) support of another agency's program	27

Undertake research with another agency	20
Assist other agencies with proposal	20
Disseminate Newsletter or Annual Reports to other agencies	13
Share volunteers with other agencies	17

Number of respondents: 15

Competitive Activities

12 of 23 competitive activities were believed to have increased 40 % or more.

Table 4

Changes to Competitive Activities with Competitive Funding Model

	Change w competiti
Competitive Activity Decrease (%)	No chang (%)
Submit proposal for existing program to “stay in business”	0
Submit proposal on new program to expand your activities	7
Change/increase internal systems to have greater chance to win contracts	7

Meet with funders to seek out new markets	7
Send staff to training to gain skills in any of the above areas	7
Change existing program to fit new proposal guidelines	
Produce and distribute brochures	7
Hire staff with professional qualifications to win competitive contracts	14
Offer new services to include as a value added in a proposal	7
Research opportunities to expand into a new geographic area	7
Place paid ads in Paper	7
Lower unit prices to attract funding	8

Seek media sponsorships	7
Organize news media events: news releases, conferences	7
Produce and distribute posters	14
Provide exhibits and displays	20
Research services of other providers with a view to bid for them	0
Place free ads on radio (PSA's)	13
Place paid ads on Radio	0
Place free ads on TV	13
Place paid ads on TV	0

Seek out staff to hire from other providers	0
Actively seek out clients from competing agencies	14

Number of Respondents: 15

5.3 How have societal changes affected the CBT model?

One half of the respondents serve clients with higher needs today compared with 5 years ago. Other societal trends (job insecurity, technological changes, lower unemployment rate, higher employer expectations) have also had an impact (Table 5). It is noteworthy that technological changes are rated lowest on this scale.

Table 5
Societal Trends affecting CBT

Trend	High to n
Employer expectations	70
Job insecurity	50
Lower unemployment rate	40

Number of respondents: 15

Table 6
Trends in the Voluntary Sector

Trend	YES (%)
Are you required to measure outcomes?	93
Have you made organizational structures and procedures more explicit?	87

Has the size of your agency been a competitive advantage in delivering CBT?	73
Are your resources adequate to measure outcomes?	36
Have societal changes increased your agency's overall effectiveness?	62
Have you fewer resources available for CBT in the last 5 years?	53
Have you eliminated activities not directly related to your agency's core mission?	47
Have societal changes decreased your agency's overall effectiveness?	31

Most of the trends within the voluntary sector of other studies are confirmed here. Two thirds of the agencies feel that societal changes have not decreased their effectiveness overall.

Increased expectations of employers

For Community Based Trainers employers are a critical link to success. For many programs a successful outcome consists of securing and retaining employment. As globalization has taken hold, many agencies have higher expectations of their employees. This presents a serious problem for organizations who work with high needs individuals. *“Many employers need staff who can wear many hats and are flexible enough to train, work varied and long hours. Many clients cannot or will not possess these attributes for medical, emotional, cultural, etc. reasons”* Another respondent observes: *“Because we support adults with developmental disabilities who often lack even basic academic skills (reading & writing) they cannot be placed into jobs.”* In addition, the permanent job insecurity that much of today's labour force has accepted creates difficulties for some organizations. In order to be fully reimbursed for their services the clients need to maintain employment 3 and 6 months after the completion of the program. *“Employers often hire for immediate need and then lay off as salaries increase through increments or the demand for that service diminishes”.*

Increased needs of clients

While some organizations have always worked with high needs clients, others have made adjustments to deal with them. Some offer more value added services, some have formed strategic partnerships, and some have needed to increase the time that staff spends with clients. *“...time and effort by Employment Counselors has increased to secure employment for clients”*

Public demand for collaboration

In spite of the need for social agencies to work together respondents do not all partner on a regular basis. In fact, only one fifth usually collaborate and partners with other agencies. The

others partner only selectively or rarely. This seems contradictory to what respondents say are critical collaborative activities; 53% rate the need to partner formally with another agency on a joint new program as “critical or very critical” (see 5.2 above).

6.0 Discussion

Cooperate or compete?

CBT organizations in Alberta have moved into the current competitive environment involuntarily. The initiative came from governments and organizations who responded to the call for competitive proposals without much collective discussion about the changed underlying values. This discussion is now overdue. One central question to be answered: is it useful to participate competitively when cooperation is a core value?

Before being thrust into this competitive process, the charitable sector treated cooperation as essential. For example, any new entrant to the field of helping was welcomed with open arms. Organizations regularly wrote letters of support for the potential funders of new projects of other organizations. The well-being of clients was paramount. The more choices a client had, the better. Now the focus has shifted to the finite pie of available funding and the current market share an organization may command. Writing letters of support is not considered an important collaborative activity. Informal partnerships and exchange of expertise are also not critical. The most critical collaborative activity according to the respondents is formal partnerships to deliver joint programs. In a sector where informal trust-based arrangements have dominated the operating paradigm, this is remarkable.

Does competition prevent cooperation from taking place? Some evidence in this study would suggest that competition undermines cooperation. One respondent put it this way: *“the whole field of fund development and competition has pitted us against one another, why collaborate?”* Organizations now are on their guard watching what the competition may be up to, knowing that any provider (voluntary sector or private) may bid for “their” program the next time the contract comes up for renewal. Any meaningful collaborative effort involves the sharing of how a service is delivered. It is unlikely that organizations planning to submit competitive bids are prepared to share their “trade secrets” with each other. In order to answer this key question conclusively however, more research of this specific area is needed. At the same time, it is important to remember that not all funding systems have become competitive.

When funders become clients

One fundamental difference of the new system is the changed role of Government from a funder to a client. Respondents have articulated this changed relationship and its associated frustrations. As a client Government purchases services from the voluntary sector. In this role the Government agency can expect all the tenements of customer service. The relationship is characterized by the values embedded in the customer-is-always-right principle. Now organizations *“spend copious amounts of time writing clarifying, posturing at the expense of other areas”* *“...giving them (government) the best we can”*). On the other hand a funder expects to partner with a service provider. Traditional funders are partners that invest resources in an agency they have a trusting relationship with, based on due diligence and past history.

For voluntary organizations clients have traditionally been the people benefiting from their programs. A competitively structured funding model thrusts them into a two-client framework. As such it forces agencies to choose where their primary loyalties lie: with the government agency providing the resources or with the people for whom the programs are designed. These tensions may also undermine the role of advocate, which voluntary agencies have played on behalf of clients. The two-client structure may explain why respondents have articulated the challenge “to put the clients needs first”. (see also “Narrower Client Profile” and “Changed Relationship with Funders” above).

Charities and administration

Many voluntary organizations are also charities. The public is interested in organizations that keep administration low. When donors compare charities low administration is often the key factor in their search for the organizations most worthy of support. However, respondents agree that organizations, which are well developed administratively, are better able to respond to the new requirements. Their capacity to respond in a timely manner to Requests for Proposals, invest in new technology to improve service, adapt to new systems, create responsive and sophisticated reports, etc. are critical to their success and indeed to the success of their work. (Letts, Ch., Ryan, W. Grossman, A. 1999). Organizations that do not have those capacities find themselves left behind. These two opposing forces force difficult choices on charitable organizations that are dependent on donors. The voluntary sector is confronted with the question: Given a competitive funding structure, what are reasonable levels of administrative overheads?

Risk management

Two thirds of the participants report that they never or only rarely select clients to reduce financial risk. This response may be as much a statement of their values as one of fiscal reality. If intake workers are feeling the pressure of achieving successful outcomes attached to financial reward, it is much more difficult for them to accept clients into programs who present a significant risk of financial loss. *“a client tends to walk in the door with a \$ sign attached”* This view seems to be confirmed in the comments that express concerns that the clients most in need are excluded. (see narrower client profile, above). While the emphasis on outcomes has been welcomed by many organizations it does have some dark sides, namely that some of the people for whom such programs are designed no longer are given a chance, because they present a significant financial risk to the organization. The key challenge identified by several organizations is to *“keep the clients foremost in mind”*.

Recommendations

1. Social services are exposed to two distinct and contradictory pressures. On the one hand some funders who have introduced competition hoping for greater efficiency. On the other hand citizens and some funders have called for more collaboration among voluntary organizations. Agencies cannot simultaneously be expected to do both. Funders need to rethink what direction they want to promote.
2. Today many agencies need to “win contracts” in order to remain financially stable. These pressures have added to their anxiety and uncertainty resulting in high staff turnover. During the period of cut-backs, core funding by Government virtually disappeared. As other knowledgeable

observers have pointed out, the need for core funding of some agencies is high although not all agencies are in the same boat. Therefore a thorough and comprehensive analysis is required to determine where the need is the greatest and where the benefit of the services is clearly established. To let competitive economics resolve this issue will undermine the voluntary sector's distinct role

3. It is unclear what criteria guided the Alberta Government's decision to introduce a competitive bidding process for distributing funding. It is reasonable to expect that lowering costs was among these. Competition generally is assumed to support innovation, efficiency and enterprise. If these have been the goals they need to be evaluated and results made public.

4. Study findings indicate that marketing activities have increased sharply for Community Based Training. The trend may be taking place on a broader level in the voluntary sector. Increased marketing seems to be a necessary by-product of increased competition. The charitable sector needs to grapple with what level marketing resources can be increased to without damaging public perception of the use of resources to keep its donors? What are reasonable marketing budgets in a competitive environment?

5. As the Broadbent Report has pointed out, the area of measuring outcomes is more complex than it appears at first. Study findings suggest that while most agencies measure outcomes, they do not have sufficient resources to do so adequately. As long as the public wants know the results of CBT, funders need to be prepared to support this area more adequately.

6. Staffs of voluntary agencies have been under severe and contradictory pressures. Some staff teams have become stronger as a result; others have experienced a great deal of turnover. Agencies need to ensure that they have strong and supportive human resource policies in place. These policies need to acknowledge the central role that paid staff now plays in voluntary organizations.

7. Voluntary agencies have learned much from business practices during the past decade and especially since the onset of cutbacks. Many executive directors are fluent in business operations and may support the concept of competition philosophically. They are confident that their agency will survive. The lines between voluntary not for profit organizations and business have become blurred. Agencies and their boards need to establish boundaries about how much they want to become like businesses.

References:

Broadbent, Ed; et al. Building on Strength Improving Governance and Accountability in Canada's Voluntary Sector 1999.

Hall, M. and Reed, P. "Shifting the burden: how much can government download to the non-profit sector?" Canadian Public Administration vol. 41, no.1 (spring 1998)

Kitchen, P.; Boyes, T.; Galerneau, N.; Lynch, M.; Smith, M. and Streling, H.: "Partnerships

Report: Canadian Alliance of Education and Training Organizations”. (1998)

Letts, Ch., Ryan, W. Grossman, A. “High Performance Non-Profit Organizations; Managing Upstream for Greater Impact” Wiley 1999

McFarlane, S. and Roach, R. “Strings Attached: Non-profits and their funding Relationships with Government”. Canada West Foundation, September 1999

ONESTEP, Ontario Network of Employment Skills Training Projects, “A History Of Community Based Training in Canada”. (Toronto, 1998)

Phillips, S. and Graham, K. “When Accountability Meets Collaboration in the Voluntary Sector”

Phillips, Susan D. “Redefining Government Relationships with the Voluntary Sector” 1996.

Reed, P. These ideas were originally outlined by Paul Reed in discussions with the author between November 1999 and January 2000. See also “Voluntary Organizations in Ontario in the 1990’s” by Paul Reed and Valery Howe”. (January, 2000)

Rekart, J. “Public Funds, Private Provisions: the role of the voluntary sector” (Vancouver, University of B.C. Press) 1993

Shiff, J. and Reed, P. “Charitable Giving and Government Policy: An Economic Analysis” New York, Greenwood Press, 1990

Sieppert, J. Issues and Options for Change: Social Services in the 21st Century, Canada West Foundation, March 1997

Skloot, E. “Enterprise and Commerce in the Nonprofit Organizations.” In W. Powell (ed.) The Non-Profit Sector: a Research Handbook. New Heaven, Conn.: Yale University press, 1987 (pg. 380 – 93)

Wolfson, William and Lodzinski, Adam: “The second Century: Community-based Training in Canada”. Human Resource Study. December 1997.

Zimmerman, Brenda and Dart, Raymond: “Charities Doing Commercial Ventures: Societal and Organizational Implications”. Canadian Policy Research Networks Inc. 1998

Appendix A

Process of contracting and contract management of Alberta Human Resources and Employment

1. The Department of Alberta Human Resources and Employment decides on the priorities of services it wants to provide in the various communities based on statistical unemployment, input from labour market researchers, etc. (Complete)
2. Interested Service providers access the Request for Proposals (RFPs) electronically. No advertisement is placed in newspapers.
3. A bidders meeting is advertised where all the interested providers are invited and given an opportunity to ask questions.
4. Proposals are submitted by a given deadline.
5. The Government department evaluates proposals.
6. Service providers are notified of the early selection.
7. Negotiations take place prior to the signing of a fee for service contract.
8. Providers must enter all program candidates' particulars into a government electronic database.
9. Government approves each candidate.
10. Provider invoices after contracted services are delivered
11. Government monitors progress of clients and approves invoice, once verified
12. Invoices are paid.

Organizational requirements for successful competitors include:

- Electronic access to the bidding system
- Training and administrative capacity to access bidding system and Government database
- Rapid decision making process on projects to bid for
- Cash reserves to handle the delay between providing the service and fees being paid after services have been provided.
- Increased sophistication of accounting systems and money management

Appendix B

Research Questionnaire