CHAPTER ONE

THE WORLD OF NONPROFIT AGENCY MANAGERS

To reconcile their constituents' simultaneous beliefs in less and in more governmental involvement, legislators in the United States have increasingly used contracting.[1] They find people are more accepting of "government funding and standard setting if nongovernmental organizations deliver the public goods and services."[2] This reconciliation strategy has inherent conflicts, however, which have created a "philosophical and administrative mess"[3] that is unlikely to be cleaned up because many groups have vested interests in its maintenance.[4] This "mess" is characterized by complex questions of accountability.

Social welfare policies in the United States vary significantly by community.[5] Without national policy implemented in "a public baseline system of services that has clarity about its role, function, and priorities," it has been suggested that contracting makes no sense, that it "is an upside down problem that offers no clues about how to set things right."[6] Two documented manifestations of this "upside down problem" are the control of government purchasers by service providers and the segregated, inequitable distribution of services.[7]

For example, researchers for a taxpayers' organization concluded that their state has inadequate fiscal and program control over its service system because the system is "'provider dominated.'" This "situation," they assert, "'is self-perpetuating' because providers have become such an important part of the service system that [state] agencies cannot run their programs without them." Thus, the state agencies "fear losing" the providers.[8] In the New York City child welfare system, similar concerns about providers' control over services have been raised.[9]

There is evidence that contracting results in the poorest being least served. Nonprofit agencies, which provide more government-funded services than does the government itself, help less-needy clients with better treatment, possibly because they also have nongovernmental resources.[10] Also, as government funding is reduced, services to the poor are disproportionately cut because agencies serving them cannot recoup funding losses with fees for service or with contributions.[11]

Quality control in human service organizations is inherently problematic because of the elusive program and treatment goals of these organizations and their limited resources and inexact technologies.[12] These problems are exacerbated when contracts are involved because it is so difficult to develop valid, realistic contractual requirements sufficient to achieve accountability but not so burdensome that they result in more compliance activity than service.[13] When contracting occurs among different governmental levels, increased political influences and constraints complicate quality control.[14] When contracting occurs between one or more levels of government (federal, state, and local) and nonprofit or for-profit agencies, or a combination of the two, this complexity has staggering implications for accountability.[15]

While these questions of accountability are somewhat abstract, the related operational problems for nonprofit agency managers are quite concrete.[16] Consistently reported to be most significant are financial problems, including delays in reimbursement, insufficient reimbursement, and restrictions on budget modifications.[17] Profuse, often conflicting, contract requirements are costly and problematic to manage.[18]

The contracting process itself is another serious problem. Short submission time for proposals, inadequately trained government staff and their frequent turnover, time gaps before renewals, and award and approval delays are major difficulties.[19] Contracting typically occurs on an annual cycle, often with multiple agencies having myriad purposes, people, and regulations. For managers, the complexity and irrationality of the process is vexing.[20]

The few studies that have been made of the management of contracted services conclude that many of the problems are not amenable to an individual nonprofit agency's or administrator's control. Changes in the contracting system, by joint effort of nonprofit agencies and government, are recommended.[21] However, neither how such joint effort might be initiated and sustained nor what would be required for success is addressed.[22]

The research and practice literature, however, does suggest some ways for nonprofit agency administrators to manage contracting problems. For anticipating and preventing problems, managers are offered general advice corresponding to basic management principles and some specific hints, for example, about how to avoid underpayment and reimbursement delays.[23] Specific strategies and a worksheet for managing predictable relationship problems with funding agencies are recommended.[24] One researcher, after suggesting that managers diversify funding sources, write ambiguous funding proposals, and develop endowments to cope with the "dilemmas of funding," concludes that there are "no easy answers" and urges managers "to be aware enough to look gift horses in the mouth and to anticipate and be prepared for it when they buck."[25]

Another researcher offers advice about how to change a funding agency's position through such political strategies as the use of cooperation/cooptation techniques to maximize communication and ensure that disagreements are handled amicably. If conflicts do arise, negotiation/bargaining and mediation/appeal are proposed as strategies to help resolve them.[26]

To ensure that they meet regulatory requirements, some nonprofit agencies have created a compliance coordinator position or function. The coordinator's responsibility is "to promote the link between compliance and the provision of quality care" and prevent the displacement of the goals of the latter by those of the former. To do so, specific suggestions have been made.[27]

Although agency administrators often manipulate budgets and "adjust" service statistics to meet the requirements of a funding source or the needs of clients, to get done what has to be done in the agency, or to effect an acceptable financial statement, such manipulation is nowhere explicitly recommended as a management approach or acknowledged directly as a contract management strategy.[28] Curiously, existing research offers little explanation of how administrators have been able to manage budgets and programs despite all the identified problems and the need for systemic solutions. The authors of one report allude, only in their conclusions, with no documentation elsewhere, to what might be the explanation. In recommending that funding agencies set a uniform percentage for indirect costs, they speculate that this will "mitigate the need to 'manipulate' budget lines in order to make ends meet."[29] Another researcher cites a "frequent" kind of budget manipulation: "Staff from [contracted] programs are used to perform general tasks for the agency."[30]

Manipulation of service statistics can take a number of forms.

- reporting visits or services rendered, as required by the contract, when fewer occurred than are recorded;
- reporting services (or clients) as new, which (or who) were actually being provided (or served) before the current funding;
- reporting services as provided under one source of funding when they were actually provided through another source;
- reporting as eligible for services clients who are only so by the most imaginative interpretation of eligibility criteria; and
- creative writing about activities that actually occurred so that they seem to match the provisions of the contract; however, what actually was done has little to do with the intent of the funding agency.

A few graphic examples of these kinds of manipulation have been recorded.[31]

The voluminous literature on management contains much lofty advice about what managers should do. However, the complex reality of organizational life makes successful management exceptionally arduous and presents profound methodological problems for finding out what managers actually do.[32] Most of the early research on management sought to describe how managers spend their time.[33] A review of over a hundred studies of managerial behavior yielded ten empirically supported generalizations.

> Managers work long hours; they are busy doing a lot of things; their work is fragmented and episodes are brief; the job contains a lot of variety; managers spend the bulk of their time within their own parts of the organization;

> the work is predominantly oral; managers have contact with a variety of people (by no means all in the direct chain of command); managers are not reflective planners; information is the core of the job; and finally, managers really don't have an accurate picture of how they spend their time.[34]

Nevertheless, beyond these generalizations, it is difficult to determine how managers spend their time.[35]

Moreover, answering this descriptive question does not deal with the more essential issue of why managers do what they do. Researchers investigating managers' purposes have sought to determine what roles managers perform.[36] A seminal study concluded all managerial work is the same, involving three groups of interrelated roles (interpersonal, informational, and decisional), with varying emphasis on these roles in different jobs.[37]

Other researchers, however, were convinced that abstract managerial roles do not reflect the complex reality of managers' work and began to ask different questions and to ask in different ways to find out what managers do. "Anthropological" methods were used to identify "behavioral skills—what you do with whom and how you know when and how to do it."[38] Intensive interviews were conducted with effective managers to learn how they identify problems and decide what to do about them.[39]

The study of how managers decide what to do is now being extended to the related but more encompassing issue of how managers' thinking influences their actions: What do managers know?[40] How can they use different metaphors for organizations?[41] The objective is to have managers "become skilled in the art of 'reading' the situations that they are attempting to organize or manage—to understand the many and often paradoxical aspects of situations, and to forge appropriate actions."[42] Using ethnographic methods, other researchers have addressed the relationship between what managers know, their attitudes and perceptions, and what they do.[43]