

Independence at a Price:

**The relationship between nongovernment
human service organisations and the polity
in Texas and Tasmania**

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ABSTRACT

Modern society has traditionally been viewed as comprising of three sectors; government, market and civil society. The theoretical base of three pillars of government (or polity), commerce (or market) and civil society has historically been assumed to be a comprehensive structure of society. Many theorists have proposed different characteristics for the sectors but until recently none have proposed fundamental change to the structure. Debate over civil society has been a central element of political analysis for hundreds of years. Civil society has been variously theorised as subversive and detrimental to society at large, as the site of social action and as a category into which all human activity that is not market or government can be placed. In the late twentieth century civil society has been viewed as the site of social and community activity and more recently the activities of formal community organisations that have become increasingly involved in the delivery of human services.

This thesis argues that a simple tripartite division between government, market and civil society is limited, both theoretically and as base for empirical research on community organisations. The thesis proposes a 'fourth pillar' to the traditional tripartite separation. The fourth pillar proposed in this thesis is that of the 'entrepreneurial civic service sector'. Organisations engaged in one or a number of formal legally based arrangements with government and other funding sources are now indistinguishable in many respects from market-based organisations. They cannot however be categorised as market organisations because they are not focussed on profit or capital accumulation. These organisations' underlying goals are survival, growth and compliance with appropriate values. In pursuit of these goals, organisations are achieving greater independence through funding diversity and the implementation of managerial strategic plans and processes. It is apparent that an additional 'pillar' provides a theoretical base to contemporary societal structure, and more accurately reflects society and the relationship between government and human service organisations.

Field work and research conducted in Texas and Tasmania has provided a view of the relationship between human service organisations and government, at both the institutional level and from the perspective of individual organisations. The research conducted was empirical and qualitative and provides vivid support for the model of society proposed. Organisational characteristics were identified and a typology of organisations developed. It became clear that human service organisations are diverse and dissimilar in their structure, approach and experience. In particular, organisations varied in the extent and nature of their commitment to market-like mechanisms and managerial processes.

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Introduction

This thesis argues that society is no longer based on the traditional three pillars of civil society, market and government. Furthermore, it is argued that nongovernment nonprofit human service organisations when freed from reliance on government agencies will adopt a modified set of market principles. As organisations increasingly adopt market approaches, they no longer fit the traditional nonprofit community sector, but neither do they move seamlessly into the market sector. It is proposed that an additional pillar of society, the ‘entrepreneurial civic service sector’, has emerged.

This fourth sector uses market-like mechanisms to achieve a range of social goals, some of which have been devolved from the government sector. Because their services and resources are diverse, organisations in this sector share many characteristics with complex corporations, such as survival and perpetuation

of the organisation itself. At the same time, the philosophical underpinnings of these organisations have much in common with community sector organisations, whose goals generally encompass statements about improving the conditions of society, as opposed to ensuring profits for shareholders.

Nonprofit nongovernment human service organisations are strongly influenced by their relationship with government. This relationship may include dominance in structure and program design, and financial dependence. When these organisations are not involved in a relationship dominated by or dependent upon government, greater independence and autonomy result. Organisations are free to adopt different strategies to achieve goals of their own construction. A market approach is frequently chosen in these circumstances.

This thesis examines the emerging trend towards community-based human service provision evident in countries rebounding from the impact of neoliberalism. This ‘third way’¹ appears to be an attempt by government to avoid a return to welfare socialism with its accompanying budget implications and bureaucratic structures. As Anthony Giddens explains:

We cannot just put aside the values and ideals that drove
[socialism and communism], for some remain intrinsic to

¹ The ‘third way’ is not a new term. It has been widely used to hypothesise an alternative approach to the traditional ‘left’ and ‘right’ of political ideology. Most recently it has been adopted by Bill Clinton during his term as president of the United States and Tony Blair, Prime Minister of the United Kingdom. In this context the third way is an overarching approach to achieving social good through a blend of market-like methods and appropriate government. See Anthony Giddens, *The Third Way*, (Cambridge: Polity Press, 1998) for a commentary and development of these ideas.

the good life that it is the point of social and economic development to create.²

Flexible service delivery and higher levels of responsiveness are emphasised, as well as cutting costs to taxpayers. But community sector capacity cannot be assumed, and any delay in the provision of services as a result of the imposition of market principles is patently intolerable, both politically and on humanitarian grounds. It is therefore necessary to assess this capacity and develop strategies to ensure the transition from traditional welfare and service provision is as smooth as possible. In Australia this assessment has been at the core of public enquiry. The report *Participation Support for a more Equitable Society: the final report of the reference group on welfare reform* has been instrumental in focusing attention on these issues and forming opinion in Australia³. While commenting extensively on the obligations and rights of individuals, the report also noted the need for an acceptance by the community at large of its social obligations. The Prime Minister's Community Business Partnership⁴ is an initiative that reinforces these core assumptions. The partnership is intended as a conduit and facilitation of ideas and strategies to encourage business in particular to recognise and support increased participation in philanthropic activities and community development projects.

²Giddens, *Third Way*, 1-2.

³ Reference Group on Welfare Reform, *Participation support for a more equitable society: final report*. Canberra: APS July 2000.

⁴ The Prime Minister's Community Business Partnership, *20 Australian Community Business partnerships in 2000*, Canberra: APS 2000. This initiative focused on the relative lack of business philanthropy in Australia in positive terms. Businesses are encouraged to participate in community activities and social programs on the normative pretext that it is simply good business to do so. Their corporate image is improved and the requirements of 'the triple bottom line' - profit, environment and community- are more likely to be met to the satisfaction of shareholders.

This thesis is centred on the debate over the role and functions of nongovernment nonprofit human service organisations. Organisations in Australia are compared and contrasted with a set of organisations operating in the highly marketed social environment of the United States. An analysis of the two sets of case studies in the context of the respective social and political histories provides a detailed explanation for the organisational structures that now exist. This analysis also examines the strategies that have resulted in these outcomes. There is also a sense, with obvious limitations, that the snapshot of organisations in the United States gives an indication of the organisational structures and processes that are likely to result in Australia if the current policy direction is allowed to run its course.

The argument described on page one provides a focus for detailed research on nongovernment nonprofit human service organisations in a volatile environment. It also provides the opportunity to explore the role of organisations in society. This thesis informs the debate of defining the role of human service organisations in this context. It does not criticise the policy direction as such: rather it considers the impact of the policy changes and the range of responses that are possible. The theoretical frameworks and models developed further illuminate this analysis and provide an enhanced understanding of these relationships.

Scope and limitations

This thesis necessarily limits its scope to case studies from Texas and Tasmania, the two example sites chosen. The case organisations were selected as an informed (rather than random) sample, to ensure the deep research conducted in these relatively few organisations was varied enough in source to be meaningful. While the debate on civil society has extended from classical Greek times, this thesis focuses on current issues facing organisations, and historical information that is directly relevant. To this end, historical coverage is limited to the literature review of theories of societal structure and the retrospective chapter on social and political history in Texas and Tasmania. While the changing approaches and assumptions in other sectors of society are of interest, it is not within the scope of this thesis to analyse these in depth. Although detailed analysis is limited to the community sector, the analysis is based on the premise that communities and organisations are influenced by changes emanating from the polity and the market.

It is argued that the structure of society is changing as a result of revision of goals and means in the civil society pillar. Civil society can be observed to be polarising, separating into two parts: one component emphasising the altruistic organisational structures that focus on traditional notions of charity and deserving poor, while the other component has commodified their programs and services. For this second group, survival of the organisation has become an end in itself. The differences between these organisations are so profound that it is no longer

appropriate to consider them as having similar modes of operation.⁵ For this reason, the civil society pillar is now regarded as having divided into the less formal community pillar and a fourth pillar, the entrepreneurial civic service pillar.

Methodology and approach

The thesis provides a comparison of two vividly contrasting settings, with diverse values norms and political arrangements. This approach provides a more robust comparison than one conducted between two similar sites. This diversity makes possible the formulation of explanations of differences and similarities that is not possible with the comparison of two sites sharing characteristics.⁶ Sartori describes a number of systems of comparison, one of which is the ‘most different system’ design that advocates that the researcher ‘choose the most different systems, that is systems that differ as much as possible and yet do not differ on the phenomenon under investigation’.⁷ The cases of Texas and Tasmania differ dramatically in their history and their political underpinnings, yet both have active and socially vital nongovernment nonprofit human service organisations. Consistent with Sartori’s proposition, this thesis compares these two different sites to ascertain the extent of commonality or difference in these organisations.

⁵ This directly counters ideas of one uniform third sector with shared goals and norms. Mark Lyons has written extensively on the Australian Third Sector particularly in *Third Sector*, (Sydney: Allen and Unwin, 2001). Writers who have identified a division in the sector include Streeck and Schmitter, and Dekker, referred to in chapter eight.

⁶ Giovanni Sartori, ‘Comparing and Miscomparing’ in *Journal of Theoretical Politics*. 3(3). 1991. 243-257 proposes that ‘we frequently argue that apples and pears are incomparable; but the counterargument inevitably is: How do we know unless we compare them?...Yes they are comparable with respect to some of their properties’, (245).

Comparative method is used to identify the distinct impact of the public policy arrangement in question and socio-economic systems in Texas and Tasmania. This is discussed in greater detail in a following chapter. The research uses qualitative and empirical techniques. The data is elicited through case studies, interviews, literature searches and document surveys. Identification of the sources of interview data is masked to preserve the anonymity of confidential informants. This guarantee was essential to elicit the cooperation of interviewees. A detailed description of the techniques used to gather data follows.

Literature Review

An extensive and comprehensive literature review of the concept of civil society and its development was conducted covering journals and publications. This review resulted in the development of a typology of theories regarding civil society and gave impetus to the development of a revised model. The literature review also delved into the nature of voluntary associations and developing ideas of social capital. The concepts of volunteering and philanthropy preceded the popularity of social capital but are clearly related. More recent applied discussions of social capital make frequent reference to volunteering and altruistic behaviours as evidence of the presence of social capital in a given social setting. The topics of recent developments in the structure and management of organisations and welfare reform strategies were also researched to provide background information about the environment in which human service organisations are required to operate.

⁷ Giovanni Sartori, 'Comparing and Miscomparing', 250.

Finally, aspects of the history of both Texas and Tasmania were researched as part of the explanation for contemporary policy developments.

The approach to field research

An inductive research approach was used to ensure that the research questions eventually identified would be relevant in the context of the sector studied, in both Texas and Tasmania. Fourteen research subjects were selected, seven in Tasmania and seven in Texas. An informed sampling method was used to ensure organisations with a range of characteristics were studied, following a general study of the human service organisation population conducted in both research sites. Variety in budget size, employee numbers, affiliation, service provided and type of management was possible.

In Texas, data was collected by invitation to participate in a voluntary interview. No organisations or representatives were coerced to participate, and their anonymity was guaranteed. All interview material has been masked to retain confidentiality. Guarantees of confidentiality extended to reporting of comments from interviewees. Material was not to be attributed to particular research participants and for this reason their identities cannot be made public. Similar conditions were applied to treatment of data from Tasmanian interviews. In Tasmania, research was conducted as a component of contracted research by the Centre for Public Management and Policy. The contracted organisations allow academic use of data gathered for non-commercial purposes.

In both these cases, contractualism and privatisation have made issues of ‘commercial-in-confidence’ matters of paramount importance for nongovernment nonprofit human service organisations. Organisations in both locations are frequently in competition with each other for public sector funds, and so normal conditions of confidentiality are reinforced by concerns of ‘commercial-in-confidence’ data.

Comparative methodology

Comparative method is the systematic study of the two or more items to identify common elements and differences. A comparative approach is adopted to allow for a deeper understanding of the similarities and contrasts between the two countries and explanations for this. Social scientists have identified patterns of social development that result in artefacts that are similar or at least resemble each other.⁸ It is important that these assumptions about types and stages of development do not distort the data collected and the subsequent analysis. As a methodology, it is also reputed to ‘help a person overcome ethnocentrism, which is defined as the inability to understand other countries except through one’s own rose-coloured lenses’.⁹ Sartori explains that ‘comparison and case study can be mutually reinforcing and complimentary undertakings’.¹⁰

⁸ A. Prezowski and H. Tuene, *The Logic of Comparative Enquiry*, (New York: Wiley, 1970), 4.

⁹ Howard J. Wiarda. *Introduction to Comparative Politics*, (Belmont: Wadsworth, 1993), 16.

¹⁰ Sartori, ‘Comparing and Miscomparing’, 252.

Comparison as a methodology emphasises differences, and this is particularly evident when comparing political entities. A comparison of states allows for characteristics of systems of governance, the polity, public policy interventions, history and socio-economic factors to be assessed. Patterns of behaviours and outcomes are clearer when not seen in isolation. Analysis is more insightful with comparative elements. Wiarda notes that:

Why are interest groups and political parties structured in one way in some countries, and other ways in others? Why do some countries and their political systems fail while others succeed? These are among the most challenging questions one can grapple with in today's world.

Comparative [method] helps us get at the answers by showing the change process in all its dimensions and wrestling with the problems posed by the complexity and multiple causes of these processes.¹¹

To be fully effective, comparison must adopt an empathetic approach, to 'know... thoroughly from the inside'.¹² This is in contrast to the imposition of frames of reference and knowledge prior to the research task. These aspects link well with qualitative method, concerned with understanding the meaning of concepts and processes in the sites studied. Comparative studies are

¹¹ Wiarda, *Introduction to Comparative Politics*, 16.

¹² Wiarda, *Introduction to Comparative Politics*, 16.

complementary to other methods and fields of study, particularly in the areas of politics and public policy.

Comparative method between nations allows for different groups to be understood in context and assessment to be made about meaning and norms. This type of research is interesting and intellectually stimulating, often leading to the development of models and theoretical perspectives.

Although comparison will result in an orderly body of knowledge, it is not consistent with positive deductive research methods, and laboratory replication is seldom possible, although parallels can be drawn. Comparisons are able to ensure precision and validity in other ways. Wiadra explains that:

Through comparison we can learn that what works in one society may not work in another, and why. Comparative politics also provides an antidote to ethnocentrism- a method by which to understand other societies on their own terms and in their own context.¹³

For these reasons, comparative methods applied to diverse social settings are particularly applicable for the project of this thesis: it is important to identify the factors that have resulted in the organisational structures in the two countries studied with the veil of ethnocentricity removed. These methods allow analysis without cultural assumptions. Despite cultural differences, it is possible to identify

similar social trends and related structures and patterns. The cases of Texas and Tasmania vary in scale and background, but there are sufficient social similarities to make comparisons illuminating. The organisations studied experience different circumstances, policies, levels of government intervention, regulation and philanthropic environments, and the results are illuminating and insightful. For this reason, a range of concepts is used as bases for comparison. This is consistent with the views of Rose:

Broadly speaking, the more countries examined, the fewer the concepts; the fewer the countries, the more detail, approaching holistic comparison...This avoids the common fallacy of generalizing from a single case.¹⁴

Because the two cases used are diverse yet share some important commonalities, the methodology adopted in this thesis is incisive and produces valuable insights.

Outline

It is currently fashionable and popular to talk about the community sector in a public policy context consisting of efficiency, effectiveness, flexibility, timeliness, proximity to the client group and its potential for a market orientation.

¹³ Wiarda, *Introduction to Comparative Politics*, 17.

¹⁴ Richard Rose, 'Comparing Forms of Comparative Analysis' in *Political Studies*, (1991, XXXIX,453-454).

But what is the real capacity of the sector to thrive in a climate of competitive tendering, out-sourcing and market mechanisms?

Conceptual tensions have emerged within the civil society pillar as policies of neoliberalism are implemented or accelerated in Texas and Tasmania.

Traditional models of society are no longer adequate to analyse the nongovernment organisations active in civil society. This thesis examines the administrative facets of the relationship between community sector human service organisations in the current political/ economic climate. The historical context of public policies impacting on this area is a defining factor. This becomes particularly clear when a comparison between two states, one in Australia and one in the United States of America, is made. The vivid contrasts between social development of these countries are readily identifiable in aspects of their societal structure: the civil society, the economy and the polity. Assessing the nature of the social policies in place in the two countries requires an examination of the historical context and the topical policy context, and a comprehensive understanding of the social systems operating.

It is important to examine the structure and nature of social institutions before beginning an analysis of the relationships at a more detailed level. Chapter one is a literature review of ideas and theories of society, its structure and resulting assumptions about sectors of society. Theories arising in contemporary discourse are then considered. These authors generally speaking acknowledge the origins of

models of society in ancient writing, as well as the socialist theorists of the nineteenth century. In a contemporary context, these ideas are adapted and applied to social mores and institutions with some extension of theory. But they are not sufficient to construct an accurate model of current social institutions.

In the second chapter, the traditional three-sector model is reviewed and proposals for a fourth sector considered. None are considered adequate and a detailed exploration of the field of non-profit human service organisations is required to construct an adequate model of the pillars of society. A range of defining characteristics is identified for human service organisations, and reasons provided for their selection. These include aspects of structure, process and program activity that locate them on a conceptual continuum of formality. A typology of human service organisations is developed in chapter three employing the defining characteristics previously identified. By using this typology, it is possible to track the extent of market orientation of sector organisations and the level of sophistication with which they evaluate their programs and services. The greater the degree of market orientation, the more formal and strategic the organisational processes are likely to be.

The thesis now turns to the field to locate examples of the various organisational types in a range of sites. Comparative technique is used, and the sites of Texas in the United States and Tasmania in Australia are selected. Chapter four provides a snapshot of the social and political histories of the two states,

focusing on issues of human service delivery and the development of the various societal sectors. Despite dramatic contrasts, it still possible to find common ground.

Chapters five and six examine seven cases in each of the two example sites, locating them in the typology, identifying their market orientation and considering their prospects. The following eleven characteristics are studied in each organisation:

1. Structure composition and expectations of the management stream;
2. The number of paid staff and complexity of their roles;
3. The number of levels of paid staff in the organisational structure;
4. The number, utilisation and sophistication of volunteer activity;
5. The extent of organisational commitment to development and training of human resources;
6. The organisational perceptions and operationalisation of strategic planning processes;
7. Predominant funding sources;
8. The complexity, frequency and scale of budget activity;
9. The organisation's client orientation and basis of program activity;
10. The evaluation generation; and
11. The organisation's rating on the market orientation scale.

Chapter seven identifies significant findings from the field research in the light of the socio-political context. It then collates results and draws preliminary conclusions on this basis. It includes discussion of themes and trends evident in the research data.

In chapter eight an alternative fourth pillar of society is theorised and found to be consistent with the findings of the fieldwork. The *entrepreneurial civic service sector* is developed to more comprehensively account for the various parts of society and explain the structure, motivations and activities of a distinctive group of organisations.

The concluding chapter summarises the field work and findings, reviewing the market orientation scale, the typology of non-profit human service organisations and the invention of the additional entrepreneurial civic service sector. Areas for further research are identified and their application foreshadowed.