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Public and Nonprofit Management and the "New Governance"

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Many public functions originally performed primarily by state actors now routinely rest not with the responsible government agencies but with a host of nongovernmental, third-party surrogates or proxies. There has also been an increase in partnerships and collaboration between nonprofits, corporations, and governments, necessitating new skills and competencies for public and nonprofit leaders alike. The authors summarize the literature on these issues and identify important areas of agreement. They then report the results of a research project intended to help public and nonprofit managers identify characteristics of nonprofit organizations that are most likely to signal the existence of an effective and accountable organization.

Keywords: *nonprofit organization; collaboration; organizational characteristics*

As numerous scholars of public administration have documented, the past half-century has seen fundamental changes in American governance. It is not simply that the scope of government action has increased at all levels; the means through which government addresses public problems and provides public services have changed radically. Whereas public functions were originally performed primarily by state actors and later delegated to closely related agents of the state, discretion over the day-to-day operation of public programs now routinely rests not with the responsible government agencies but with a host of non-governmental, third-party surrogates or proxies that provide programs under the aegis of loans, loan guarantees, grants, contracts, vouchers, and other new tools of public action (Jensen & Kennedy, 2005). This exercise of core governmental authority by non- and quasi-governmental entities is perhaps the most distinctive feature of the United States's "new governance" (Salamon, 2002, pp. 1-2; Kettl, 1988, 1993), a new administrative paradigm that presents significant challenges to both public and nonprofit leaders and managers.

This increase in partnerships and collaboration between nonprofits, corporations, and governments has generated a robust scholarly literature. Austin (2000, p. 71) identified a "collaboration continuum" ranging from the philanthropic stage (donor and recipient) to the transactional stage (resource exchanges and contractual service arrangements) to the integrative stage (collective action and organizational integration). Foster and Meinhard (2002) found that certain organizational and attitudinal factors predispose some organizations

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to collaborate. L. M. Hall (in press) found that most nonprofit groups seek collaboration, particularly faith-based organizations with specific, economic goals (see M. F. Hall, 1995). Mandell (1999, 2000a, 2000b) described a continuum of collaboration in which some groups move from mere linkages to network structures in which there is joint and strategic action.

Many observers expect public problem solving to be enhanced by these forms of partnerships. Those observers believe that although private delegation may be inconsistent with long-standing theories of public administration, it is a necessity; furthermore, many agree that in the increasingly interdependent world of implementation networks, "no entity, including the state, is in a position to enforce its will on others" (Salamon, 2002, p. 15). Salamon (2002) argued that systems of command and control by the sovereign, once the hallmark of democratic government, have become outmoded and are being replaced by a new management paradigm that "makes collaboration and negotiation legitimate components of public administrative routine rather than regrettable departures from expected practice" (p. 15). If this is true, it is a paradigm shift with significant consequences for the management of public agencies and nonprofit enterprises alike.

It is a central tenet of democratic regimes that the state must be accountable to its citizens. In this article, we consider several of the ways in which contracting out complicates that accountability. Gilmour and Jensen (1998), among others, have noted that outsourcing raises thorny issues both for the agency charged with responsibility for providing the public good or service and for the private or nonprofit contractor. Smith and Lipsky (1993) were among the first to explore some of those issues from the perspective of the nonprofit sector. Legal scholars have also addressed the issues of constitutional accountability raised by the emergence of third-party government (Dannin, 2001; Kennedy, 2001; Metzger, 2003; Minow, 2002)—issues rarely addressed by public management scholars. As Kennedy (2006, p. 207) has pointed out,

> The United States Constitution incorporated very specific understandings of human nature, the role of the state and natural and human rights. Those understandings led the founders to sharply limit the power of the state. To put it another way, the original American concept of liberty was in the negative: liberty was seen as an individual's right to be free from state control. . . . In order to limit government, however, one must first define it.

These and other accountability issues raised by the transformation of government are not merely abstract problems of interest primarily to academics and theoreticians. They are especially significant and salient to the managers of government agencies that provide services through third-party surrogates. Those public managers need tools that will allow them to develop fair and effective processes for choosing nonpublic partners. They need tools to help them negotiate contract provisions that will be sufficient to protect against a variety of fiscal, constitutional, and public harms but that will not be so onerous as to deter potential bidders or significantly increase compliance costs. And they must have the human and fiscal tools and resources necessary to monitor and measure contractor performance. Currently, we believe that public managers in the United States do not have these tools.

For their part, managers of nonprofit agencies must be able to determine whether their organizations have the resources and staying power necessary to partner successfully with a government agency—the professional capacity to deliver the services involved, the fiscal resources to withstand the transaction costs involved, and the organizational depth and sophistication to weather the reporting and monitoring burdens that accompany such contracting arrangements (see Grønbjerg, 1993). Mandell's (2000b) work also addresses management issues for organizations striving toward or adopting more permanent collaborative relationships. In her penultimate network, called program structures, the "network structure requires interdependent transorganizational actions" (p. 373) to morph the independent organizations into a new entity.

In the first part of this article, we summarize the literature on these issues and identify important accountability issues and measures. We then report in the second part the results of a research project intended to help public and nonprofit managers identify characteristics of nonprofit partners that are most likely to signal the existence of an effective and accountable organization. In the conclusion, we summarize the implications of this research for public and nonprofit managers attempting to provide effective and accountable public services through a public–private collaboration.

Effective, Accountable Nonprofit Organizations

The first challenge to a public manager preparing to outsource is the choice of contractor. When government is purchasing pencils, it is simple enough to compare the quality and price of competing offers to sell pencils—and there are likely to be a number of willing, even eager, pencil vendors. The choice of successful bidder is more fraught when the choice is among nonprofit organizations proposing to deliver social services. At this point, the nonprofit sector has neither a commonly accepted definition of organizational effectiveness nor a common view of what interventions improve performance under what circumstances (Light, 2002).

Most existing evaluation research focuses on macro-level measurements of organizational capacity (Abzug & Watson, 2004), human capital development, or assessment of how community-based social activism influences program strategies or national policy (Seitz & Grieve, 2004). Although these issues are important to understanding the work of an organization, this level of evaluation does not provide a clear view of organizational characteristics that predict successful program outcomes—the sort of metric most useful to a public official choosing a provider. Identifying these characteristics and demonstrating their relevance to organizational success will be useful to organizations and government officials. One very rigorous attempt at focusing on indicators of success and evaluation is currently underway at the McAuley Institute through its Success Measures Data System. The institute is refining a Web-based system for a participatory evaluation research process that allows organizations to define and measure their impact in the community development field. The Success Measures Data System attempts to engage practitioners, residents, funders, and policymakers to build analytical capacity, empower residents to set and evaluate priorities, generate better information about programs, and demonstrate the impact of community development (Seitz & Grieve, 2004). The project illuminates the challenge of identifying micro-level, generalizable organizational characteristics that can be observed and perhaps measured by public managers when choosing contractors.

As noted previously, however, there is no current consensus on which organizational characteristics are most likely to correlate with effective program outcomes in specific areas; there is no evidence, for example, that these particular organizational forms or practices predict success in community development and that these others are more likely to produce good results in job placement. Nevertheless, there is considerable agreement on the nonprofit practices most likely to indicate healthy and sustainable organizations. Accordingly, we hypothesize that those elements will be equally significant indicators of desired program outcomes. The indicators we have chosen include clarity of mission (Steckel & Lehman, 1997); attentiveness to legal requirements; good human resource management practices (Herman & Renz, 1999); mindful strategic and program planning; systematic efforts at self-evaluation; and sound fiscal and development practices (McNamara, 1999). In addition, it has been suggested that the most effective nonprofit organizations are those that are embedded in networks of other social actors; that what an organization does is affected by who it is connected to (DiMaggio & Anheier, 1990). The existence of "strong and sophisticated" leadership has been cited as a plus, if not a necessity (Anglin, 2004, p. 61). Public managers concerned with the capacities of potential contractors will investigate bidders along each of the dimensions identified as important by nonprofit scholars.

Although there is substantial consensus among scholars about the elements most likely to signal effective nonprofit management, there is no such consensus (and a very sparse literature) on the best way to measure those elements. We constructed our measures by deconstructing the descriptions provided for each of the categories and testing for their presence or absence.

Clarity of mission will be demonstrated in a number of ways, but the presence of a clear, concise mission statement is an important first step. Other indicators of the organization's focus will be the absence of extraneous programs or activities that divert resources from the central mission and the presence of a strategic plan tied tightly to that mission. An organizational performance history will also yield clues. We recognize that a judgment that certain programs or activities are "extraneous" requires care. Activities that may appear unrelated may turn out to be more integral to the mission than originally evident. If the manager of the organization cannot clearly connect the activity to the mission, however, the chances are good that the program is accidental, for instance as a remnant of an older, different mission or a program instituted to pacify a large donor.

Legal compliance is an extremely important indicator of organizational capacity, and in some ways it is the easiest to evaluate. Inability to comply with basic legal regulations should set off warning bells. A bidder should be able to demonstrate that all applicable taxes (employee withholding, etc.) are current, that necessary filings with the Internal Revenue Service have been made in a timely fashion, and that corporate records are complete and properly maintained. There should be articles, bylaws, and minutes of all board meetings, and those minutes should be adequately detailed; that is, they should reflect the presence of a quorum for board decisions. Contracts to which the organization is party should be on file. If the service in question requires employee credentials, those should be in force and available for review. (These indicators of legal regularity also signal the presence of resources and organizational capacity—at the very least, access to some accounting and legal expertise.)

Board of director characteristics—the election, composition, and conduct of the organization's trustees—are among the most important indicators of organizational capacity. The division of responsibility between the staff and the board should be clear, and the chief staff member should report to the board at designated intervals and in a meaningful way. There should be defined terms for board members and clear election procedures. The board should be broadly representative of the organization's various constituencies and should ideally be diverse in occupation, skills, age, race, religion, and ethnicity—although for some organizations, some forms of diversity will be inapplicable. (e.g., a Catholic organization will likely have a Catholic board; an industry organization will draw from that industry, etc.) There should be evidence that the board is a working one, defined as a body involved not only in setting policy, but in development, strategic planning, and other elements of effective governance. Board meetings should be held regularly, and there should be provisions for terminating board members who regularly miss meetings.

Personnel management—the organization's hiring and management practices—is another important element of capacity. There should be a written personnel or policy handbook; it should comply with all applicable laws and regulations and be available to all employees and board members. There should be written, detailed job descriptions. The board should conduct an annual review of the chief executive officer, and that officer should conduct an annual review of all employees. Those reviews should be kept in individual personnel files. If at all possible, there should be structured opportunities for staff development and training. And there should be evidence that all of these human relations tools are periodically reviewed and evaluated.

If volunteers are used in lieu of paid staff, these procedures may be considerably less formal, but whether volunteers are used in place of staff or in addition to staff, there should be clear policies pertaining to them, and even clearer expectations for them. There should be evidence of an organizational capacity to supervise and train them and mechanisms to recruit and qualify them. If there is a great deal of turnover among volunteers that is not explained by the nature of the service, that may indicate a haphazard approach to the volunteer program. If performance under the contract for which the organization is being considered depends on volunteers, high turnover will be a danger sign.

A *strategic plan* that is tightly tied to the mission and periodically updated is another hallmark of effectiveness. All of the stakeholders should have been involved in the strategic planning, the plan should be consistent with the organization's budget, and the plan itself should be widely disseminated and frequently consulted or referenced in the course of decision making. The absence of a clear strategy for reaching corporate objectives is a sign of unfocused effort and a negative indicator. The existence of a mission and good strategic plan tells the public manager that the organization knows what its priorities are and understands what efforts are needed to accomplish those priorities. Similarly, there should be evidence of careful program planning, and for the same reasons. Program planning should include the establishment of goals and objectives for that particular program and should include clear methods for evaluating outcomes.

Fiscal health encompasses more than a positive bank balance and an absence of unpaid bills. Good fiscal controls and accounting procedures are supremely important. An annual audit is a sign of fiscal responsibility. Dependence on one or two major sources of income can be a danger sign, as can wide swings in income over a period of several years. Financial statements should be shared with the board no less than quarterly and should compare the budget projections to actual income and expenditures. Costs and income should be broken out by activity or program, so that it is possible to see where problems and resources are. If the organization bills for services, there should be evidence that bills are prepared and sent promptly and that "slow pays" are followed up with. The organization's own bills should also be paid in a timely fashion. A fiscal procedures manual should exist, and it should be followed. Necessary insurance policies should be in force, and employees handling funds should be bonded. Development goals should be clear, and responsibility for development activities should be shared between designated staff members and the board. Lack of board involvement with development, or lack of board financial participation through donations to the organization, are warning signs.

Finally, the organization's *networks* and contacts will give the manager a good idea of its ability to access community resources. An absence of working partners may signal a lack of sophistication, or it may suggest that other organizations have chosen not to work with the nonprofit in question for some reason (L. M. Hall, 2008; M. F. Hall, 1995). If the organization does not regularly connect with others in its service community, the reasons should be explored.

There are obviously other indicators the public manager will use, including past performance. Satisfaction of these organizational elements is not a guarantee of effective program outcomes, but obvious deficits in any of these basic areas are warnings that the wise manager will heed.

Once a contractor has been chosen, accountability concerns are not satisfied: The public manager is responsible for crafting an agreement that will ensure compliance and protect the public purse. Ellen Dannin is a legal scholar who has written extensively on privatization in the United States; she has catalogued a number of examples of contractual inadequacies that have led to costly and even tragic consequences (Dannin, 2001). Ranging from a parks contractor in California who absconded with more than $1 million of public money, leaving the reservations system in shambles; to a contractor whose actions opened Missouri taxpayers to extensive liability for prisoner abuse; to the Georgia contractor who falsified 3 years of water quality records, these cautionary tales remind us that contracting does not relieve government of responsibility for proper management and adequate monitoring of performance, nor does it protect government from liability for errors and malfeasance. An initial choice of partner that is based on a careful evaluation of the identified organizational indicators, however, will provide at least some insurance against such disasters and will be more likely to yield a result that is cost effective for the public partner, beneficial to the nonprofit partner, and satisfactory to the service recipients.

Public managers who must choose among competing bidders can draw on a considerable body of research on outcome evaluation, much of it intended to allow nonprofit organizations to measure and improve their own performance. Whether an organization is conducting a self-evaluation, a public agency is evaluating potential partners, or (as in this study) a grantor is evaluating past contractual partners in an effort to make more informed future decisions about resource allocation, the essential elements of successful evaluation will be similar (Centers for Disease Control & Prevention, 1999). First, stakeholders must be engaged in the evaluation process for their perspectives to be understood and to ensure that important elements of a program's objectives, operations, and outcomes are not ignored. For a public manager evaluating contractor performance, this means consulting with the client or other end user and with the public employees responsible for overseeing the contract and otherwise working with the private provider. In some cases, it may require consultation with the legislators or other public officials who originally crafted the policy or authorized the program. Second, the program being evaluated must be carefully and clearly described—taking into account its need, expected effects, activities, resources, stage of development, context, and logic model—to convey the mission and objectives of the program being evaluated. Without a clear understanding of the program's goals, it will be impossible to determine whether they have been fully or partially achieved. The nature of the program will also dictate the questions to be asked, the data to be gathered, and the benchmarks to be used. Once an evaluation methodology has been established, the third step is the gathering of credible evidence or data. Credibility is measured not only by the congruency of such data with the indicators of programmatic success that have been developed, but also by the source, quality, and quantity of the evidence gathered and the methodology used. The fourth step occurs when the evaluation yields conclusions. Those must be justified by comparing them with agreed-on standards established with the stakeholders at the onset of the evaluation and by analyzing, synthesizing, and interpreting the information; making judgments; and framing recommendations. The final step is ensuring that the lessons learned from the evaluation are shared as appropriate and that recommendations are actually applied.

Evaluating program effectiveness requires resources: time, money, and expertise. It is reasonable to argue that over the long term, knowing what works and what does not will save money. That argument, however, must contend with the realities of government agencies, in which every dollar spent on administration or evaluation reduces the amount available for services and in which managers are painfully aware that they will make rather attractive scapegoats should evaluations of a popular but ineffective program be negative.

It is much more likely that most public managers will rely on studies conducted by nonprofit scholars and funders to identify the elements most closely associated with program delivery effectiveness. We recently conducted one such study.

Method

To research organizational characteristics related to accountability and program outcomes, we conducted a survey of 591 community-based organizations that received grant funds from the Catholic Campaign for Human Development (CCHD), the Catholic Church's domestic antipoverty agency, from 2001 to 2004. These organizations were deemed sufficiently effective to warrant funding by a disinterested and experienced funder. About half of the groups surveyed work to support affordable housing and community development, another 40% address family and community issues, and the remainder promote living-wage jobs and economic development. There were CCHD groups during our study years in every state except Delaware and Oklahoma and in the Virgin Islands and Puerto Rico; they were urban and rural, large groups and small, independent and part of federations, faith based and secular. Although our response rate of 18% was disappointing—we sent a survey announcement and endorsement, a survey, a reminder postcard, a second survey, and a survey by e-mail, and we made random telephone reminders to nonrespondents—it was geographically and organizationally representative of the total field of organizations. Respondents included executive directors of organizations from 36 states and Puerto Rico. Half are federated groups with formal network affiliations, and 47% are faith-based groups. We were thus able to compare several of the elements previously identified as predictive of organizational capacity with the responses from the CCHD organizations and to be confident that our sample was representative of the population of CCHD organizations.

For the following discussion of organizational elements, we relied on data from the survey described above (N = 111). The variables used in this analysis were all either scored or condensed to be scored on a 4-point scale ranging from 1 (*don't agree, not used, not significant*) to 4 (*strongly agree, most used, most significant,* etc.). The dependent variable was "achieve program goals," with the organizational elements (and their component variables) as independent variables.

We double-checked the construct validity of the scales by examining their relationship to variables of theoretical interest. For example, if an executive director identified government regulators as very important to the success of their organization, we would expect that to have a relationship with an emphasis on legal compliance; this test produced a positive correlation (Pearson's $r = .789$, $p < .01$). For the scale measuring fiscal health, we looked for a relationship between the scale and the ability of organizations to increase their receipt of grant funds from others besides CCHD. This variable was significantly correlated with the scale (Pearson's $r = .311$, $p < .01$). Looking at the personnel management scale, we would expect a positive relationship between sound personnel policies and meeting the needs and interests of organizational leaders (Pearson's $r = .262$, $p < .01$) and between sound personnel policies and recruiting and keeping effective board members (Pearson's $r = .249$, $p < .05$). Each of these variables was consistent with that expectation. For the scale measuring fiscal health, we looked for a relationship between the scale and the ability of organizations to increase their receipt of grant funds from others besides CCHD. This variable was significantly correlated with the scale (Pearson's $r = .311$, $p < .01$). These scales are correlated with the above variables in the expected direction, which suggests that construct validity is not a problem for the scales.

Clarity of Mission

In the CCHD organizations, clarity of mission was significantly related to achieving program goals. We used three questions in this scale about how organizations defined their mission and whether respondents saw this as a strength of their organization. Respondents evaluated the following items on a scale ranging from 1 (*not a strength*) to 4 (*major organization strength*): clearly defining our mission, identifying goals, and implementing our plans. Our measure of clarity was reliable (Cronbach's $\alpha = .66$).

Legal Compliance

The survey questions on legal compliance yielded dichotomous variables, making it difficult to include them in the regression model that follows. The questions that were scaled in a manner consistent with the variables used to measure other organizational elements did not produce a reliable measure of legal compliance. This scale consisted of two variables, managing program operations and measuring program outcomes, scored as *major organizational strength, minor organizational strength, needs improvement,* or *don't know*. The third variable, does your organization have written governance policies or by-laws, was dichotomous: yes or no. However, as proxies for certain issues of compliance, we found that 95% of the CCHD groups had written governance policies or bylaws, 43% had a written conflict of interest policy for employees, 69% had written personnel policies, and 86% had written job descriptions for paid staff.

Boards of Directors

We had five questions (Cronbach's $\alpha = .73$) about boards, including how members are recruited and trained, relationships with staff, and the degree to which the board is engaged in the daily functions of the organization. Respondents evaluated, on a scale ranging from 1 (*not a strength*) to 4 (*major organization strength*), the following variables that along with those below comprise this scale: recruiting and keeping effective board members, having a smoothly functioning board, and recruiting and keeping reliable leadership. In another series of questions, we asked respondents to indicate the degree of importance for the following using a scale ranging from 1 (*not important*) to 4 (*very important*); responses were made separately for staff training, board training, and leader training. Only the board training responses were used in this analysis; the others were used in a separate research project. These variables were also part of this scale: formal orientation for new members, local small-group training sessions, extended regional or national multiday training, training through participation in issue or campaign development, use of committees to provide leadership experience, recruit new members specifically for leadership roles, mentoring program matching experienced leaders with new or developing leaders, board training most often provided by consultant, board training most often provided by staff, and board training most often provided by a regional or national network with which our organization is affiliated.

Personnel Management

This element was measured using 22 variables on recruitment and training, management procedures and protocols, decision making, internal communication, and dispute resolution (Cronbach's $\alpha = .79$). Of the CCHD organizations, 88% had a paid executive director and slightly more than half had three or fewer paid employees. The following variables comprise this scale, on which responses ranged from 1 (*not a strength*) to 4 (*major organization strength*): recruiting and keeping qualified administrators, managing human resources (staff and volunteers), managing or improving board and staff relations, communicating internally, developing and using teamwork, developing and sustaining good working relationships in the organization, dealing with disputes in the organization, and using information technology effectively.

Strategic Planning

Strategic planning for the groups in the CCHD study was strongly related to program effectiveness, yielding a bivariate correlation coefficient of .67 ($p < .001$). The presentation of clear plans is required in the CCHD grant application process, and 65% of the groups saw their strategic planning process as an organizational strength. We asked respondents to grade their planning process and to evaluate the rigor and utility of their strategic plan (Cronbach's $\alpha = .79$). The following variables comprise this scale, on which responses ranged from 1 (*not a strength*) to 4 (*major organization strength*): strategic planning, implementing plans, measuring program outcomes, and managing our program operations.

Fiscal Health

There were eight questions (three with multiple responses) on the survey about fiscal health, revenues, funding streams, financial indicators, and financial management (Cronbach's $\alpha = .67$). Of the organizations, 58% reported at least a 10% increase in revenue over the previous 3 years. Nearly 60% had an annual audit. This scale consists of two groups of illuminating questions, which respondents rated on a 4-point scale ranging from 1 (*not a strength*) to 4 (*major organization strength*). Respondents evaluated the following variables: obtaining adequate information for financial evaluation, anticipating financial needs, obtaining funding or other financial resources, and financial management and accounting. The second group of questions asked respondents to report changes in the financial indicators of total revenues, total expenditures, total assets, and total liabilities. The original 5-point scale was condensed to 4 points by combining *decreased moderately* and *decreased significantly*, resulting in 4 = *increased significantly* (>25%), 3 = *increased moderately* (10%-25%), 2 = *about the same,* and 1 = *decreased at least 10%.*

Networks

We analyzed the responses of nonprofit organizations with networks or formal collaborations to a series of 14 questions on various dimensions of cooperation and collaboration (Cronbach's $\alpha = .72$). Respondents were asked to identify, explain, and evaluate relationships with other organizations including with whom and for what reason(s) they collaborate, whether there is competition, and whether receiving a grant from CCHD enhanced or expanded collaborative activities or opportunities. The variables that make up this scale were scored on a scale ranging from 1 (*not important at all*) to 4 (*very important*) and include general public, community leaders, congregation or religious leaders, private sector donors (foundations, individuals, and businesses), private sector contractors or consultants, media, politicians, government funders, government regulators, legislative bodies, professional organizations of staff members, and associations of clients. Additional variables included enhancing our visibility in the community, enhancing our reputation in the community, and developing and maintaining good relations with other organizations, which were scored on a scale ranging from 1 (*not a strength*) to 4 (*major organization strength*).

Analysis and Results

Table 1 summarizes our findings. Only two variables in the bivariate correlation failed to achieve some level of significance. Clarity of mission was the most significant characteristic in predicting the likelihood that an organization will achieve its program goals. Good personnel management procedures and having a strategic planning process have a measurable

Table 1
Achieving Program Goals and Organizational Elements

Achieve Program Goals	Pearson *r*	*p* (Two-Tailed)
Clarity of mission	.597**	.000
Legal compliance	.019	.846
Board of directors	.220*	.022
Personnel management	.358**	.000
Strategic planning	.280**	.002
Fiscal health	.230*	.019
Networks	.178	.066

$^*p = .05$. $^{**}p = .01$.

Table 2
Examining the Model

Model	Unstandardized Coefficient B	Unstandardized Coefficient *SE*	Standardized Coefficient (β)	*p*
(Constant)	.012	.681		.986
Legal compliance	–.179	.119	–.151	.137
Board of directors	.179	.181	.092	.326
Personnel management	.192	.168	.130	.254
Strategic planning	–.007	.098	–.007	.943
Fiscal health	–.084	.179	–.048	.640
Networks	.117	.190	.060	.537
Clarity of mission	.794	.161	.525	.000

positive influence on a group's ability to achieve its goals. Not as clear, but significant nonetheless in our analysis, are having an effective board and good fiscal health.

Using the same set of variables in a multiple regression, we found that the model as a whole is a useful tool to predict whether an organization can attain its program goals,

$F(7, 89) = 7.474$, $p < .001$, for the multiple regression model ($R^2 = .37$). The model statistics (see Table 2) suggest that the model can explain 37% of the total variance in the ability of organizations to achieve program outcomes. When all the variables are included, only clarity of mission (representing the clarity of the organization's goals) is significant, but it is substantially so.

Although quantitative evaluations of other organizational characteristics are not germane to this analysis, the CCHD groups have other characteristics likely to affect performance and thus provide additional reasons for the variance in achieving program outcomes or goals. As mentioned in the description of CCHD in the introduction, all the organizations funded by CCHD are engaged with people who live in poverty; at least 50% of those benefiting from the projects must come from a low-income community, and members of the poverty group

Table 3
Binomial Probability Test, Collaboration

Outcome	Observed *k*	Observed *p*
Obtain funding	71	.70*
Recruit or keep staff	44	.47
Recruit or keep board members	40	.43
Recruit or keep leaders	52	.54
Achieve goals	94	.91*
Enhance visibility or reputation	97	.92*

*$p < .01$.

must have a dominant voice in the projects. In addition to specific programmatic goals, there is an overarching requirement that organizations find innovative ways to address poverty and effect institutional change. Organizations are also charged with the responsibility of training indigenous leaders to join in program delivery. We will examine several of these factors in another research project.

Most of our results confirmed scholarly expectations; however, one result did surprise us: We expected networks to be more important. Half of the respondents had formal network affiliations, for example with the Association for Community Reform Now, Industrial Areas Foundation, or Pacific Institute for Community Organizations; from our data, it is not apparent that even these respondents have moved very far along Mandell's (2000a) continuum of networks. Although we saw evidence of some active collaboration, we did not see management adjustments or reductions in organizational autonomy resulting from collaborative efforts (see Kease, Mandell, Brown, & Woolcock, 2004). Because any organization that contracts to deliver a service for a government agency is by definition part of at least that minimal network, we looked at this element from another point of inquiry. In addition to including networks in the regression model above, we asked respondents to tell us whether collaborations made specific outcomes easier or harder to achieve or had no effect. We asked this about obtaining funds, recruiting and retaining staff, recruiting and retaining leaders, recruiting and retaining board members, achieving program goals, and enhancing visibility and reputation. A variable was constructed for each outcome that took a value of 1 if the organization responded that collaboration makes it "easier" and a value of 0 otherwise. A binomial probability test was performed for each outcome that determined the probability of getting a particular number of "easier" responses and a particular number of "harder" or "no effect" responses. Note that almost no organizations reported that collaboration makes an outcome harder. The binomial test is an exact probability test that is particularly useful in examining the distribution of a single dichotomy with a small sample.

For each outcome, the number of organizations (k) responding that collaboration makes a given outcome easier was calculated. This is compared with the total number of organizations responding to generate an observed probability (p). This observed probability was compared with an expected probability of .5 (i.e., an equal probability of "easier" and "other"). The results of this test are shown in Table 3 ($N = 111$).

The binomial probability tests indicate that collaborating organizations are more likely to respond that collaboration makes it easier to obtain funding, achieve goals, and enhance visibility and reputation. The observed probability of responding “easier” to these outcomes was significantly different from an expected probability of .5 at the .1 level of significance. No differences were found between observed and expected probabilities for recruiting or keeping staff, board members, or leaders.

Discussion and Conclusion

Contracting confronts public managers with complexities unrelated to the skill set and interests that attracted most managers to public service. Similarly, nonprofit leaders tend to come to the voluntary sector because of an interest in, or passion for, the mission. Moreover, the sorts of professional expertise needed to adequately safeguard the public and guide subsequent decision making are expensive: The services of accountants and lawyers and the time and expense of performance evaluation are likely to be considered frills when budgets are being reviewed, no matter how strong a case one might make for their long-term cost effectiveness.

What is needed to provide beleaguered managers, public and nonprofit alike, with the tools they require to navigate the shoals of old outsourcing and new governance alike is an appreciation of the characteristics of organizations likely to make successful partners, a checklist of essential and desirable contract provisions, and the fiscal and human resources required to adequately monitor performance and evaluate outcomes.

In addition to making such guidelines widely available, everyone involved in the decision to outsource a service must recognize that contracting is a tool, not an end in itself. Contracting requires different management practices and skills; it does not erase the need for management. There are good partnerships and bad ones, accountable partnerships and unaccountable ones. Some services are more efficiently provided through an intermediary; others are more costly. Until public managers recognize that contracting out does not relieve them of ultimate responsibility for providing the service, they will not ask the questions they need to ask. Until policymakers understand that successful contracting requires adequate management and supervision, they will not allocate the resources to pay for the management tools needed.

That said—and although our response rate suggests caution in drawing conclusions that may not be supported by larger data sets—the responses generated by our study did seem to confirm our hypotheses: Clarity of mission, attentiveness to legal requirements, good human resource management practices, strategic and program planning, and sound fiscal and development practices all appear positively related to effective program outcomes.

The one puzzling result was the seeming irrelevance of organizational networks, at least within the universe studied. Although we do not have a ready explanation for this result, which seems anomalous, we hypothesize that it may have something to do with the nature of these particular organizations. Nonprofits situated in impoverished communities often evidence a “go it alone” philosophy, developed in large part because such organizations have historically had to struggle to find resources and support in a way and to a degree that organizations situated in more affluent communities have not. One possible explanation is that the reduced reliance on networks is attributable to their locus and history, but it is not an explanation that we can attribute to empirical survey results.

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