Managing Government-Third Party Tensions in RBM:

The Emerging Case of the Social Economy

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Presented to the Ninth Annual Symposium of the Performance and Planning Exchange (PPX), entitled "Results-based Management: Learning from Others," Ottawa Congress Centre, Ottawa, May 25, 2005.

Opening Remarks

Thank you very much. It is a great pleasure and honour to join you here today.

I do understand that this time of day is not the easiest in terms of attention spans or glucose levels, so I will try to keep my remarks focused!

One person who may not have a problem with this time of day is Justice John Gomery, who is exposed to as many sweet deals in the afternoon as in the morning!

Introduction

My purpose today is to examine government-third party tensions in results-based management, and to propose some ideas for how to manage these tensions. To do so, I will draw on the emerging case of the social economy. This is a new and relatively small policy file that, from the beginning, the federal government has tried to implement jointly with non-profit organizations. It is also a horizontal file inside government in that it involves Social Development Canada, Industry Canada, the regional development agencies, HRSDC and the central agencies. Experience with this case may be instructive for other government agencies and policy initiatives.

Initial Points

Let me begin by making five initial points to you:

1) The tensions between government and third-party delivery agencies, particularly non-profit ones, are real, have different sources and must be addressed for successful policy and program implementation.

2) Apart from the obvious contradiction of the official discourse of "partnership" between equals set against the reality of asymmetrical client-contractor relations, the primary challenges are very different for each party: in particular, political risk management for government and stable core funding for civil society.

3) Other "cross-cultural" irritants include the perceived rigidities and administrative micro-management of government juxtaposed to the perceived persistent hubris and oppositional advocacy of non-profits.

4) The fact is, in our small country in a volatile global context, both sectors must learn to cooperate. And both sectors are populated with dedicated, skilled professionals.

5) There are practical, cost-effective ways and means of the two parties cooperating in developing and implementing RBM strategies and systems.

The What and Why of Government-Third Party Tensions

Using grants and contributions ("Gs & Cs"), and service contracts, the federal government engages non-profit organizations to implement programs and projects in the service of policy objectives. While the term "partnership" is often used by both parties to describe this relationship, the essential legal fact is that the non-profits are accountable to government for spending public money effectively and efficiently. Moreover, the contradiction of partnership-versus-accountability itself can become an irritant as both parties struggle with their transactional relationships (see Phillips and Graham, 2000; VSERP, 2004).

Let's remind ourselves of the obvious: Government and civil society are rooted in two very different cultures. Government departments are large, multi-layered, hierarchical systems that are slow to change and politically risk-averse. Non-profits are smaller, often flatter organizations that have generally been rewarded for being entrepreneurial. While units within government compete fiercely for a share of the budget, once allocations are set their revenue streams are generally stable and predictable. For their part, non-profits also compete fiercely for money from multiple sources, but usually core funding remains a persistent and volatile challenge for them.

Now, throw results-based management (RBM) into this mix. Or rather, in the era of Gomery, throw in a *mis-application* of RBM that is driven by micro-management and subordinates outcomes to detailed, dollar by dollar (even cent by cent!) administrative verification by government of its non-profit contractors. And you also can add the fact that, generally speaking, the cost-structures of the third-sector already range from modest to reasonable—and their staff are, by and large, mission-driven. In their minds, they are fighting the good fight: to alleviate poverty, provide social services, advance human rights, protect the environment, and so on.

Thus, the transactional irritants accumulate. In the social economy, or community economic development (CED) sector, these irritants have become almost intolerable for the third-party delivery agents. Aggressive micro-management and administrative rigidities on the part of Human Resources and Skills Development Canada have not only angered community-based organizations but also alienated and demoralized HRSDC's own project officers on the ground.

As one CED practitioner put it: "A useful public institution has turned into a public nuisance, damaging our collective capacity to solve problems and empower change... We need to get the ministry focused on outcomes and performance, and to get it away from a narrow, punitive, nitpicking approach to accountability" (Lewis, 2005: 6). Well beyond "tensions," this is a conflict that has broken out in the media and Parliamentary committees—and is serving no good interest. It needs to be resolved.

In fact, there would seem to be a fair amount of middle ground. In recent years, more non-profit delivery agencies have taken on-board an outcome-oriented approach to RBM. They are very interested in the outcome end of the results chain; they know a lot about the challenges to and conditions of success in achieving outcomes on the ground. But they know much less than government about how policy is translated into programs, nationwide program management and managing large-scale inputs.

For its part, the general public probably cares little about how outcomes are achieved; they just want it *done*—and to get value for money in the process. If asked, the public might well agree that if non-profits can save money through program delivery efficiencies or by generating social enterprise revenue, then they should be allowed to reinvest those surplus funds back into the services they deliver. This is currently a point of contention between HRSDC's administrators and the CED groups. Perhaps MPs should examine this issue and advise Cabinet on how to solve it.

My colleague, Leslie Pal (2005), has made the pivotal point that broad-based policy communities and networks—"systems of mutual interdependence" (p. 272)—are more important than ever before in managing public issues in these turbulent times. Not only is this an over-arching strategic imperative for contemporary governments, it also points toward a means of resolving government-third party tensions. To the extent that such policy communities and networks are non-transactional and build authentic partnerships among network members on shared objectives and interests, they can help overcome the transactional irritants that cause the day-to-day tensions among the parties. Policy roundtables, knowledge networks and other cooperative forms of interaction offer a different kind of way forward.

Three Propositions

Now, I would like to make three propositions:

1) *Long-term impacts are the results that matter most to taxpayers—and citizens are the best experts in defining success at this point on the results chain.*

2) *Civil society organizations have strong skills and knowledge in immediate and intermediate outcomes—the "downstream" end of the results chain.*

3) *Government departments and agencies have strong skills and knowledge in the "upstream" end of the chain—inputs, activities, outputs and immediate outcomes. This is the daily substance of policy and program management.*

This is not to say that these stakeholders know *only* about these areas; rather, it is to propose that these are their areas of comparative strength. And understanding these comparative strengths is key to understanding how to manage government-third party tensions.

RMAFS and Stakeholders

Treasury Board Secretariat offers a number of tools for government managers in preparing results-based management and accountability frameworks (RMAFs). The framework is defined as "a blueprint for managers to plan, measure, evaluate and report on results through the life cycle of a policy, program or initiative" (Treasury Board Secretariat, 2005: 1). In terms of evaluation, the RMAF "supports managers' efforts to track and report on actual performance, and help decision-makers objectively assess program or policy results" (p.2).

An RMAF may be produced for a single program or initiative that is managed by one unit within a given department or agency. Alternatively, if an initiative is horizontal—that is, if it spans not only multiple units but also multiple departments or agencies—then an RMAF must be structured such that it provides for integrated and shared governance, performance, accountability and reporting procedures and systems (Treasury Board Secretariat, 2004).

At the heart of the framework is a logic model that links resources (inputs) and activities to results. The logic model is frequently depicted as a results chain. Typically, the following are included as components on this chain: inputs (money, people, ideas), activities, outputs, immediate outcomes, intermediate outcomes and final outcomes (sometimes known as long-term impacts). Outputs, outcomes and impacts may be generated at various levels: for example, individual, enterprise, organization, community, region, sector and national policy. Interactions *among* these levels can shape and multiply results.

RMAFs have emerged as creatures of government. Their prime stakeholders have been defined as public-sector managers and political decision-makers. Only recently have non-governmental organizations delivering publicly-funded services been introduced to results-based management and the RMAF. In fact, most non-profit organizations are still not aware of the terminology, purposes and forms of RMAFs. It is time to deal them in.

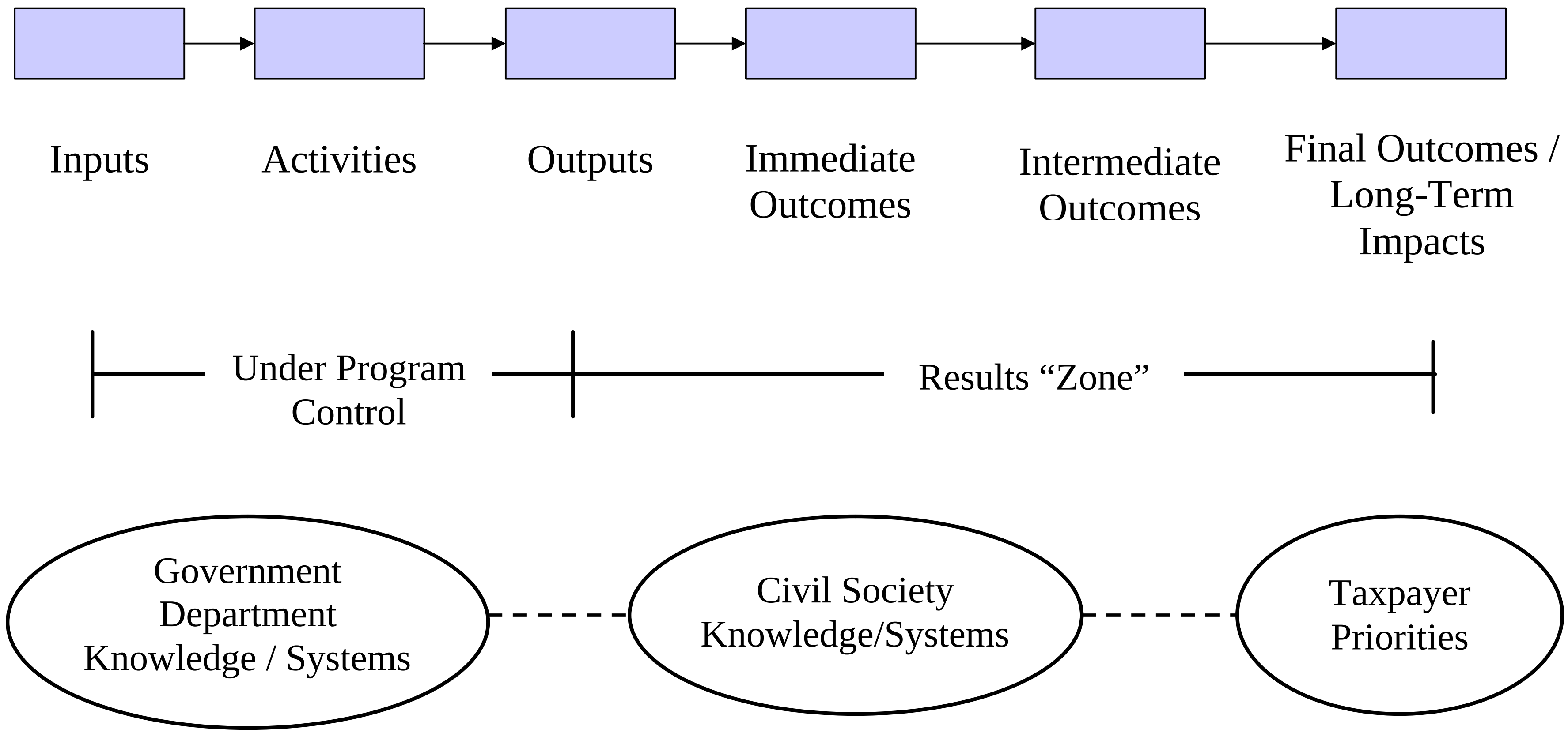
However, much more can and should be done. Not only should RMAFs serve as tools to demonstrate performance to a broad range of stakeholders inside and outside government, they actually should be *co-produced* by these stakeholders. Each group of stakeholders brings to this task a set of comparative advantages. These comparative advantages should be exploited to the fullest.

In particular, government managers and executives are experts in program design and management—i.e., the complex daily work at the national and regional levels of mobilizing inputs, managing activities and monitoring outputs. For their part, non-profit organizations know a lot about local and regional delivery of services that produce immediate and intermediate outcomes; they know what conditions are necessary for success at these points on the chain. Finally, MPs and citizens know a great deal about long-term impacts: both what is needed, and what is possible. High-quality RMAFs will be based on the best knowledge and analysis drawn from these pools of expertise. No single stakeholder group can produce as effective an RMAF as the collective efforts of these three constituencies.

What is clear is that—especially for horizontal initiatives, but also even for very focused, single-unit programs—RMAFs can be generated best outside of the transactional sphere. Non-transactional vehicles—again, policy roundtables and sector working groups are good examples—permit the kind of exchange of views, experience and tools among the parties that can enrich the development of the framework.

The accompanying diagram illustrates where the relevant strengths of government and civil society fall along the results chain. The diagram also underscores the fundamental interest of taxpayers and citizens in the final outcomes, or long-term impacts, of a policy intervention.

Results Chain



E.T. Jackson, 2005

The Social Economy Initiative

The federal government's Social Economy Initiative was announced in the 2004 budget. The Initiative calls for $132M in new spending over five years on the financing ($100M), capacity building ($17M over two years) and research ($15M via SSHRC) related to non-profit and cooperative enterprises and the organizations that support them. The financing and capacity building components are to be channelled through Industry Canada and the regional development agencies (RDAs): the Atlantic Canada Opportunities Agency, Canada Economic Development-Quebec, Fednor in northern Ontario and Western Economic Diversification in the Prairies and British Columbia.

This horizontal initiative is led by a Parliamentary Secretary for the Social Economy, the Hon. Eleni Bakopanos, who reports to the Minister of Social Development and is supported by Social Development Canada. She chairs an active National Roundtable on the Social Economy comprising experts in social economy and community economic development from non-profit and cooperative organizations across the country (for a discussion of the sector, see Jackson, 2004). Government officials are asked to report to the Roundtable on their plans and activities, and forthright discussions and exchanges of views between government and civil-society actors ensue.

The Initiative is described by the political leadership as a "down-payment" on a larger program of support in the future. Clearly, significant results must be achieved in this phase for the level of funding to be increased in the future. Civil society is thus highly motivated to demonstrate tangible results over the next five years. And, in the era of Gomery, government actors are highly motivated to ensure accountability measures and systems.

To this end, SDC, on behalf of the Roundtable, has engaged the Caledon Institute of Social Policy to serve as consultants in the joint government-civil society production of a horizontal Results-Based Management and Accountability Framework for the Initiative. Drawing on their credibility both with government and sector groups, the consultants have produced a draft logic model for the horizontal RMAF and presented it at the Roundtable's most recent meeting (Leviten-Reid and Torjman, 2005). Discussion of the draft material was pointed but productive. A subsequent round of discussion is planned to deliberate on, among other things, results indicators and targets.

While CSOs and government departments involved in the social economy experience their fair share of irritants and tensions, the Roundtable is a transparent, non-transactional space for policy dialogue. It appears that jointly constructing a common RMAF for the Social Economy Initiative is not only possible, it is in fact a focused, common task that can enable the parties to manage and even move beyond their tensions.

Necessary Conditions for Successful Joint RMAF Production

The lessons-in-process from the Social Economy file, and the broader experience with RBM and evaluation, enable us to list some of the conditions that need to be in place for successful joint RMAF production by government and civil society. These are:

1) negotiate and use a common language and terminology;
2) organize non-transactional, quarterly policy dialogues;
3) engage evaluation consultants trusted by both sides;
4) build on the platform of the logic model produced by consultants;
5) draw on the "upstream" strengths of government and "downstream" strengths of civil society
6) produce and share credible performance stories;
7) facilitate mutual learning for continuous improvement of policies, programs and initiatives.

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Adding the Political Dimension

Allow me to make another recommendation. In jointly produced RMAFs, Ministers and Members of Parliament should also be dealt into the process in a meaningful way.

While political representatives can certainly add value to any aspect of the RMAF, they may be especially useful in assessing and refining the intermediate and long-term expected results of an intervention. They can make valuable contributions to discussions of what results at this end of the chain are realistic to expect, what is feasible, and what results are cost-effective.

Policy roundtables and working groups are appropriate forums for engaging political representatives in the construction of RMAFs.

Why add politicians? Because they directly represent the concerns of taxpayers, and taxpayers know a lot about their own needs. Yes, this would bias the RMAF construction process toward voices that are more concerned with downstream than upstream issues. But such a bias is desirable. RMAFs will resonate with citizens all the more because of this built-in bias. And politicians can more effectively help market and defend government programs when they themselves have been engaged in designing RBM tools to manage such programs.

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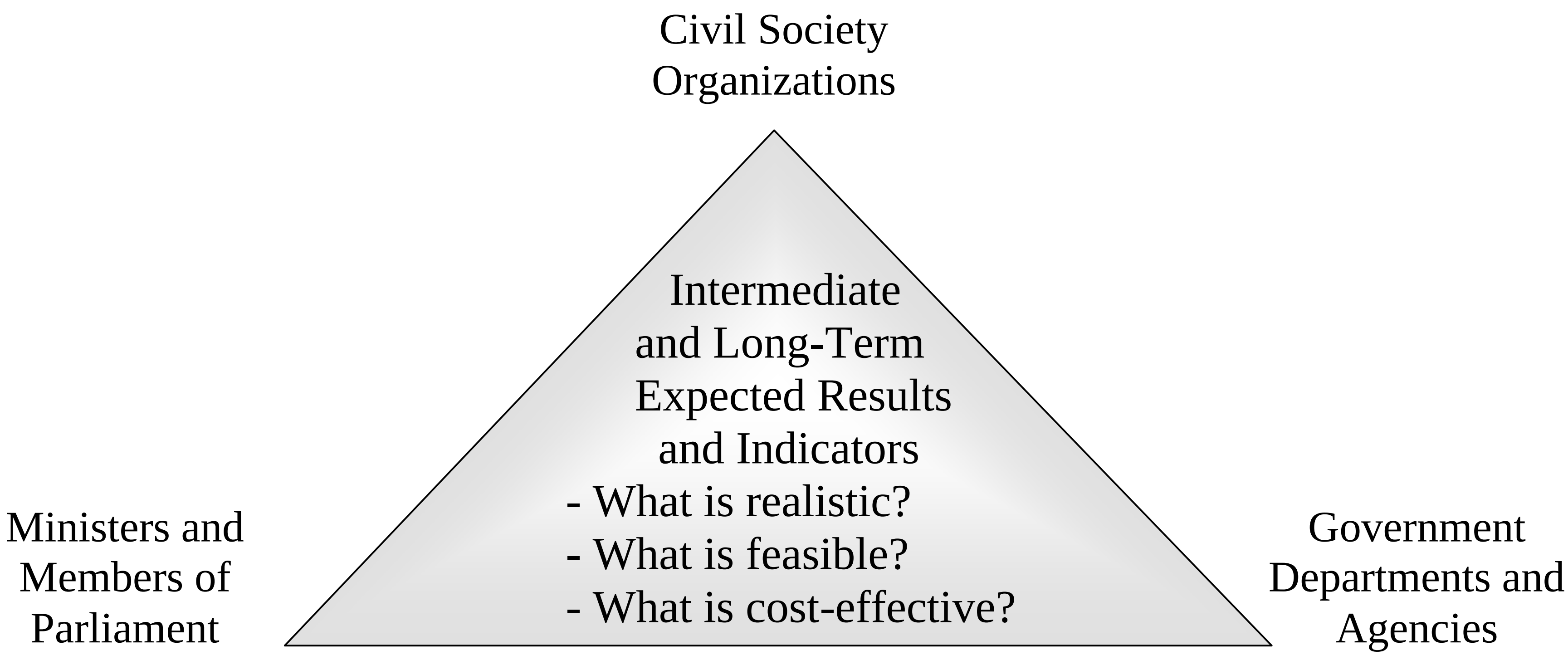

Joint construction of the intermediate and long-term results components of the Results Chain

E.T. Jackson, 2005

Telling Credible Performance Stories

One of Canada's most thoughtful RBM experts, John Mayne (2004, 2005), formerly of the Auditor-General's Office, has urged public-policy practitioners and partners to build and share credible performance stories. This is essential in jointly produced RMAFs in advancing mutual learning and continuous policy and program improvement.

What does Mayne mean? He first notes that there are two essential problems in evaluation: measuring outcomes and linking outcomes to actions, i.e., addressing the issue of attribution. Did the intervention make a difference or would the outcome have happened anyway? In order to answer this question, argues Mayne, we need to understand the theory of the program and to "establish plausible association" between the action and the outcome.

Contribution analysis can help do this, he argues. Mayne proposes six steps in the contribution analysis process:

1) develop the results chain, assess its strength and weaknesses, and identify external factors;
2) Assess the existing evidence on observed results;
3) Assess the alternative explanations;
4) Assemble the performance story and identify its main weaknesses;
5) Gather additional evidence;
6) Reassess the revised performance story.

A credible performance story, Mayne says, includes a well-articulated contextual analysis, well-stated performance expectations, empirical evidence for some elements of the result chain together with a contribution analysis, future plans based on learning from this story, as well as evidence of fairness and reliability of the performance assessment.

I would add to Mayne's vision by suggesting that credible performance stories be constructed and shared under the joint auspices of government and civil society actors—and politicians. This is important work that should be the substance of mutual learning among these parties in relation to RMAF implementation and adjustment.

Conclusion

There are some promising ways and means of managing government-third party tensions in results-based management. As the case of the social economy file suggests, the key process is joint state-civil society production of the RMAF. This is do-able—and desirable. Dealing in political representatives is also feasible and helpful. Moreover, whatever costs are involved at the front end in the co-design of an RMAF, and such costs are not high, will be quickly recouped in the form of programmatic effectiveness and administrative efficiency.

In the end, the question turns on attribution. Did the intervention make a real difference? Contribution analysis and credible performance stories constitute important substance for ongoing mutual learning as the RMAF is implemented.

These are matters that deserve our attention. I look forward to learning from and contributing to the important community of practice that is the Performance and Planning Exchange in the years ahead.

Thank you very much!

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