MANAGING REINVENTION: CONTRACTING

WITH NON-PROFITS IN NYC'S

HOMELESS PROGRAM

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1.O REINVENTION AND CONTRACTING

1.1 STEERING RATHER THAN ROWING

In Reinventing Government: How the Entrepreneurial Spirit is Transforming Government, David Osborne and Theodore Gaebler advocated the creation of a government that focused on steering rather than rowing. Government should direct public policy and whenever possible utilize non-governmental organizations to implement policy. As in Emanuel Savas' earlier work on privatization, this can mean both contracting out government functions or establishing incentives to leverage private behavior into desired pathways. This paper addresses the issue of contracting out functions, particularly to non-profit organizations.

We should state at the outset that we have no "position" on the issue of contracting out. Our view is that the issue of keeping a function in-house, or purchasing a service should be a managerial decision, situationally determined. The decision to "make" or "buy" a product or service should be a matter of organizational strategy, not organizational ideology. To take Osborne and Gaebler's metaphor further, rowing without steering is likely to run the organization aground while steering without rowing is likely to lead the organization around in a circle. Policy formulation should not be completely divorced from policy implementation, but the degree of implementation directly conducted by government should be decided on the basis of an organization's mission, environment, capacity and strategy.

An organization must decide what it is about. It must decide where to focus its energy and brainpower. That strategic decision should determine what expertise it should develop and what it should purchase from vendors. Stuart Butler has argued that contracting may be more efficient than providing direct public services when it alleviates the need for government to develop a large staff with new expertise. Government's make or buy decisions are generally constrained by three types of non-strategic tendencies:

(1.) Politicians seeking patronage positions and bureaucrats seeking promotion and personal power who push functions within the organization, regardless of fit;

(2.) Bureaucrats who outsource work that should be performed internally in order to avoid internal regulations;

(3.) Public officials with an ideological preference either for privatization or for using government workers, who refuse to analyze the managerial impact of the make or buy decision.

Our paper's focus is on the managerial challenges faced by government as it attempts to follow Osborne's advice to steer rather than row, and to increase its use of contractors. We recognize that the concept they propose also includes increased leveraging of private market forces, an aspect we do not address in this paper. We concentrate on one particular aspect of the contracting out phenomenon -- the use of non-profit organizations in social service delivery. To illustrate the challenges faced by government in this area, we will examine the case of providing services to homeless families in New York City.

1.2 THE USE OF NON-PROFITS

For a variety of reasons there has been an enormous increase in contracting out government services over the past two decades. In 1972 local government spent a total of $22 billion on basic municipal services contracts. By 1988 the tally increased to more than $100 billion. Non-profits have been used most prominently in service delivery and management where organizational function and staff themselves are mission-dominated. By mission-dominated we mean an organization whose culture, strategy and even incentive system is dominated by a perception of the overwhelming importance of the organization's work. Social service delivery, education and health care agencies are examples of such mission-dominated organizations. According to William Gormley, "Contracting out to nonprofit firms may be an appealing option, especially in the social services area, where service quality is so difficult to measure and where trust is so important." Private, for profit organizations are frequently used by government for non-mission dominated tasks such as picking up the trash and processing parking fines. Over the past twenty years local governments have been increasingly attracted to contracting. In a 1987 survey of 1,086 local and regional governments conducted by Touche Ross, 74 percent of the respondents listed cost savings and 33 percent said higher quality of service resulted from contracting out services. Two-thirds of the respondents who contract reported savings between 10 to 30 percent.

There is a growing body of literature on the use of non-profits in social service delivery. Some of the literature is focused on the effect of increased contracting on the mission and independence of non-profits, other research discusses the effect of contracting on customers. We sought to examine the capacity of government to manage the work of these non-profit organizations and on the management systems in non-profits.

1.3 THE COSTS AND BENEFITS OF CONTRACTING WITH NON-PROFITS

Delivering social services through government-funded non-profit organizations has a number of costs and benefits for government.

The principle advantages of contracting with non-profits include the following:

Non-profit organizations are often mission-oriented and share the government's public service orientation. In fact, sometimes the mission emphasis is so intense that it can interfere with effective service delivery.

The costs incurred by non-profit organizations in delivering services need not reflect a return on equity or profit. These organizations do not pay taxes and in some instances will have a lower salary structure than similar private for-profit organizations. Therefore in some situations non-profits can deliver a lower cost, higher quality service than the for-profit sector.

Non-profits are not encumbered by government civil service or procurement rules, and are somewhat shielded from the media spotlight.

The general advantage of contracting -- the possibility of switching vendors if performance is inadequate and of ending an activity by ending a contract.

The principle disadvantages of contracting with non-profits includes:

The difficulty of controlling a non-profit's activities due to the non-profit's own distinct sense of identity and mission. This can become an even deeper problem when non-profits are able to secure and maintain contracts through political connections despite underperformance.

The lack of management systems and overall capacity in some non-profits. This usually is characterized by an absence of trained personnel and poorly developed or non-existent budget and management information systems. Inadequate management systems are particularly prevalent in some small non-profits. Even in some larger non-profits, management systems are sometimes viewed as a deviation from the organization's culture. That culture is built on social work's practice of attempting to help people through individual case work. Efforts to manage at the system level are sometimes seen as cruel and uncaring.

The transaction costs of procuring and maintaining contracts and interorganizational contractual relations. Jonas Prager argues that monitoring costs can save the organization money in the long run: "Efficient monitoring, though costly, pays for itself by preventing overcharges and poor quality performance in the first place by recouping inappropriate outlays, and by disallowing payment for inadequate performance."

Expertise gained through contracting out to a non-profit is retained by the non-profit rather than the government.

2.0 CONSTRAINTS ON THE MAKE OR BUY DECISION IN GOVERNMENT

On the surface, the issue of contracting out is fairly straight-forward: Do we do this ourselves, or do we pay another organization to do this work? In the private sector this decision involves strategic and managerial considerations, but may also reflect biases, perceptions, tradition, ego and a range of seemingly irrelevant issues. In the government, all of these factors enter into the make or buy decision along with constraints imposed by civil service rules, procurement rules, labor agreements, patronage, politics and ideology. This section will discuss the factors that constrain public sector make or buy decisions.

2.1 RULES: CIVIL SERVICE, UNION, PROCUREMENT

The cumbersome design and deliberate pace of governmental hiring and firing processes can lead a public manager to conclude that making something inside the government is impossible. Restrictions on work rules and the cost structure of union contracts may price an internal operation too high, or make it too complicated to implement. If the work requires major capital investment or large-scale equipment purchases, public managers may assume that the process of obtaining capital and equipment is too time consuming and cumbersome and might best be left to a non-governmental contractor. For example, Lipsky and Smith point out that governments tend to contract with non-profit in dealing with burgeoning social service problems such as homelessness and hunger.

Frequently it is not the rules themselves, but a public manager's perception of the rules that constrains the make or buy decision. Most line managers in government do not fully understand the options open to them under personnel and procurement rules. Their daily work day is so stressed by the need to deal with "fire-fighting" short-term "emergencies" that they find it impossible to consider mastering a complex and time-consuming administrative process. Instead they search for short-cuts and methods of getting the work done with the least effort. This leads to a preference to contracting out as a way of getting around government self-regulation of its own functions.

2.2 POLITICS

A second major constraint on the make or buy decision in government is political. All elected leaders need to find ways to reward their supporters. Sometimes those rewards involve policy changes, but in many instances it involves concrete rewards such as jobs or contracts. In addition, the type of contractor who can be used for a piece of work may also be limited by political concerns. Often there is pressure to use a local or at least domestic contractor. At other times non-profit vendors are favored over for-profit concerns, not because they will deliver a better service, but because non-profits may have a better public image. As Gormley points out, non-profits are prohibited from contributing to political campaigns, which helps them avoid the appearance of receiving contracts as political favors. However, others have observed that nonprofits, through their power at the community level, may receive a contract as a result of their local political clout.

In some cases, it is very important for an elected leader to provide employment for campaign staff and for friends and relations of political allies. This may drive some work that could be more effectively performed by contractors into internal agency operations. Rather than analyze the make or buy decision strategically, it is analyzed according to the degree to which it gives an elected leader control of government resources. Noting the importance of private contractors in political fundraising, Carl E. Van Horn writes: "Communities that never had anything resembling a classic political machine find that private contractors play significant roles in ensuring the election of favorable governing bodies."

This leads to another political factor influencing the make or buy decision. This is not control of resources to reward allies, but control of the administrative machinery to influence public policy and service delivery. Here, a certain vendor or a non-merit hire is used by elected leaders to ensure they can control the definition of public policy, and the distribution of public goods. For example, a particular garbage disposal firm is hired because it provides better service to the north side of town, which happens to be the mayor's power base.

2.3 IDEOLOGY

The final constraint on the make or buy decision in government is an ideological bias toward private sector organizations of public sector organizations. Many of those in government unions believe that government work is best performed by government employees. This is an article of faith, not a reasoned analysis. On the other side are privatization ideologues who believe that government is inherently incompetent and that even the least competent private firm can outperform the best governmental agency. In instances where public or private sector ideologues dominate, the make or buy decision is never discussed. It is not a legitimate matter for the managerial agenda, and is decided on the basis of pre-existing bias.

3.0 THE CASE STUDY: MANAGING NON-PROFIT VENDORS OF SERVICES

FOR HOMELESS FAMILIES IN NEW YORK CITY

For a variety of reasons, principally related to the difficulty of overcoming internal regulatory impediments to service delivery, New York City has developed a system of service provision to homeless families that is largely implemented through contracts with non-profit service providers. While under the Giuliani administration there is some ideological bias for privatization, thee move toward non-profit service providers was well underway during the administration of former Mayor David Dinkins. Therefore contracting in this program area is not due to ideology but due to a combination of political and managerial factors that favor the use of non-profit contractors.

3.1 THE PROBLEM

The number of homeless people, including families, in the United States surged in the 1980s. Between 1982 and 1983, the annual number of homeless families in New York City shelters swelled from 1,000 to 2,400. By 1988, there were 5,200 homeless families. The May, 1995, census of homeless families in the City's shelter system confirmed that the tally had remained stable at 5,600 families since July, 1993. In 1995, 75 percent of the homeless people in New York City were families and children. According to Ralph Nunez, families with children are the fastest growing segment of the homeless population.

Ninety-seven percent of these homeless families are headed by young women. The average age of young women raising children on their own is 22 and 63 percent lack high school degrees. Often young women and their children enter shelters to flee violent relationships. As this profile illustrates, the needs of homeless families extend beyond housing.

3.2 NEW YORK CITY'S RESPONSE

As a result of the homeless explosion of the 1980s, New York City has directed more of its funds to the crisis. By 1988, the City had devoted more local funding to homelessness than any other locality in the country. Today, New York City spends over $400 million a year to shelter operations alone.

Services to homeless people were initially provided by the New York City's Human Resources Administration (HRA). In an attempt to decentralize services and become more responsive to the needs of the homeless, the Dinkins Administration created the New York City Department of Homeless Services (DHS) in 1992. The purpose of DHS is to provide direct services to single homeless persons, and to oversee the provision of direct services to homeless families. According to Mayor Giuliani's plan, *Reforming New York City's System of Homeless Services*, the goal of DHS is "to help homeless people return to independent living, as quickly as possible, by assessing their needs and eligibility, placing them in programs appropriate to those needs, and concentrating on the ultimate goal of finding and maintaining housing in the community."

The City's family shelter system is made up of: 1) assessment centers -- the first stop in the family shelter system; 2) transitional family residences, known as Tier II family shelters; and, 3) commercial hotels. Seventy-five percent of homeless families reside in Tier II shelters. Tier II shelters offer private, residential rooms and apartment-style facilities. They are mandated by state regulation to maintain a baseline of services such as: housing assistance, access to public assistance and entitlements, and counseling. Tier IIs are short-term, transitional settings that aim to move families into permanent housing and independent living.

There has also been a shift toward contracting-out for homeless family services. According to the Mayor's report, "New York City is committed to a partnership of action that includes and increases participation of not-for-profit services providers and the communities of NYC." One of the Mayor's goals for reforming the system of homeless services has been to develop smaller programs, delivered by not-for-profit organizations. Today, these agencies operate 65 of New York's 75 Tier II shelters. While the responsibility for the delivery of services to homeless families remains with DHS, direct service provision has been contracted out. DHS thus provides what David Osborne and Ted Gaebler in Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector call a "steering" or policy making function, allowing contracted providers to translate policies into action.

DHS is responsible for ensuring that the Mayor's policy priorities are carried out by Tier II facilities. The Mayor's plan specifies that DHS ensure that these facilities are providing homeless families with access to a minimum standard of services needed to secure independent living. To do this, DHS is working to improve its ability to track, understand and improve the work done by its Tier II partners.

3.3 THE STATUS OF MANAGEMENT SYSTEMS

In January, 1995 Marcia Stevenson, Assistant Commissioner of DHS, requested the assistance of a graduate student research team from the Columbia University Graduate Program in Public Policy and Administration to design a performance management system that allows DHS to work more closely with its contractors. The goal of the Columbia project was to provide a:

- Snapshot overview of the ways in which facilities manage their operations.

- Simple method for collecting information necessary to assess and improve contracted homeless family services.

- Process for identifying obstacles to homeless family service provision.

The main goal of the research team was to develop a method for DHS to track, understand and improve the work done by Tier II facilities with a minimum of reporting requirements.

3.3.1 METHODOLOGY

Data Collection

The team managers worked with the Department of Homeless Services and identified 45 of the 65 contracted Tier II facilities and five Tier II operators with a wide range of family types and services to interview for the study. Facilities are shelters that provide services directly to homeless families, while operators oversee the management of one or more facilities. This sample was not intended to be representative of all facilities but rather to ensure that a diverse cross section of facilities were included in the study.

The team worked with the Department of Homeless Services to develop two semi-structured interview guides, one for facilities and one for operators. The operator interview guide contains all the questions asked of facility managers, plus several additional questions pertaining to the overall management of an operator's facilities. We have therefore included the operator interview guide as Appendix A. The interview questions were designed to measure the respondents' perceptions, rather than objective data, and to elicit preferences about the type of reporting and information exchange process facilities would find most helpful. The questions were designed to collect information about:

- types of services provided;
- profile of the customer base;
- method of measuring & identifying customer needs;
- method of measuring cost; and,
- method of measuring quality.

DHS facilitated the interview process by informing selected facilities and operators of the purpose of the study prior to interviews. Management representatives, generally the facility directors, were interviewed. Interviews lasted approximately one hour, and took place at the facility. The team successfully interviewed representatives from thirty-nine facilities and four operators.

3.3.2 FINDINGS

The study's most significant findings were:

- Although most facilities collect data on individual customers through an intake process, few aggregated that data; those that did aggregate data generally collected demographic statistics, rather than aggregating customer service needs.
- Quality measures were based on perceptions, not performance indicators.
- Facilities did not have information about recidivism rates of their clients so they could not measure long-term success.

• There was a wide range of external fundraising capabilities among facilities; some reported a strong development component, while others were isolated and lacked the information and staff necessary to create grant proposals.

• Most facilities emphasized external changes necessary for improvement of service delivery, rather than possible internal changes.

• Most facilities wanted information about the performance of peer service providers as a basis of comparison.

• Ninety-five percent of facilities were interested in participating in an annual review process, yet were concerned about how the responses would be used.

Services Provided and Obstacles to Service Delivery

All facilities provide transitional housing for homeless families. In addition, facilities provided other services directly and/or through referrals to outside providers. The most common services provided include: GED/education, mentioned 27 times; child care, mentioned 23 times; independent living skills and medical services, mentioned 22 times; and job training, mentioned 21 times.

When asked, "What are the obstacles to service delivery," facility directors mentioned 47 different obstacles. Approximately 20 percent of the service providers cited DHS administration and policy as obstacles to providing services. The reasons most often given included poor documentation of residents' needs upon arrival and no access to lists of available services and housing. Several other reasons cited included the introduction of illegal aliens into the system and failure of the Administration to update previous customers' addresses.

Respondents offered many suggestions for areas of service delivery to target for improvement (67 percent offered more than one suggestion). The most commonly cited areas included substance abuse, mental health and adult education. Respondents discussed the problems associated with serving populations which they were ill-equipped to handle and who had a negative effect on shelter residents.

Identification and Measurement of Customers' Needs

Identifying and measuring customers' needs were accomplished through individual case management utilizing case files. Rather than track the customer population as a whole, most facilities exclusively examined individual needs. Others reported tracking needs through data compilation of customer demographics, often in the form of "annual reports sent to DHS." Ninety-five percent of the service providers used intake forms. Seventy-two percent used regular meetings and/or evaluations to determine clients' needs. Additionally, 38 percent of service providers maintained a database with this information.

Funding and Unit Costs

The average costs of delivering a discrete definable unit of service or average unit costs were not readily available for most facilities. Twelve facilities indicated that costs were not measured. Eight of these used central offices for budgeting. Of the 22 agencies measuring costs, only eight of them indicated that costs were itemized, while fourteen estimated costs according to their reimbursement rate from the City. All four of the operators reported that they measure costs.

Most of these facilities sought outside, or non-New York City government, funding for their work. Only seven facilities did not pursue funds beyond City contracts. Of the 26 facilities that looked to additional sources of money, 16 received funds from state and federal government sources, twelve had professional grant writers on their staffs, five used charity drives to raise funds, and six reported receipt of private donations. All four operators interviewed received income from sources other than the City.

Quality Improvement

The majority of respondents were unsure of the definition of the term "quality of service." Consequently, answers to the question, "How is quality of service delivery measured here?" were not particularly meaningful. Those who addressed service quality issues had largely informal systems of measurement which used client comments or staff discussions of client cases on which they based their perceived levels of success. Of the 39 respondents, only four said they had documentation reflecting "quality of service." Documentation was usually given in the form of statistical measurements and resident participation rates in programs offered.

Some respondents expressed an interest in a follow-up/tracking system to measure quality of service on a longitudinal basis. The issue of quality seemed to be seen as a kind of luxury that could not be afforded in an environment more oriented to survival. Except for some of the larger operators, there was little evidence that these nonprofit service providers believed that improved internal management processes could lead to improved service quality.

Facilities' Needs

Other areas noted as needing attention were insufficient staffing, lack of client initiative and difficulty in finding housing placements. In general, the interviews reflected a need for improvement from "above" or "outside" of the facility itself. Most respondents remarked that funding and "service coordination" were major areas for improved service delivery. In addition, many felt a need for "system-wide" changes which included comments on the shelter system in general and government's homeless policy.

Ninety percent of respondents reported exchanging information with peer agencies on a regular basis, with the majority adding that the information exchanged is service related. Most of the facilities at which we conducted interviews belong to a coalition of service providers (the Tier II Coalition). Over 75 percent cited meetings of the Tier II Coalition as a source of information exchange.

Annual Review Process

An overwhelming 95 percent responded favorably to the idea of participating in annual reviews of service delivery. However, respondents also frequently expressed concern that the results of the annual reviews would be used as a monitoring device by DHS. The most commonly stated expectation of a review was to elicit "better coordination" with DHS and other service providers as well as interest in general advice on how to better serve the homeless population.

About half of the respondents offered additional comments regarding problems with DHS administration as well as frustrations due to shortcomings within the "bureaucracy." Many comments also referred to a perceived lack of client initiative in achieving independence. Of these respondents, several observed a noticeable change in the client population, with clients tending to be "less motivated" and "more needy" than those in the past. They expressed frustration with the process of serving clients who are not cooperative.

3.3 A PROPOSED FIRST STEP

Our discussions with nonprofit service providers led us to conclude that a performance management system would need to be developed over a number of years in stages. While government had experience in developing and implementing monitoring systems, it was clear that a traditional government style oversight and monitoring system would not be effective given what we had learned about homeless family service providers in New York City. An elaborate written or computerized system would result in non-participation, resistance or inaccurate information. Instead, we concluded that the first step of the development of a performance management system would be to develop formal and informal information exchange mechanisms between government and non-profit service providers and among these service providers. That would build on their desire to share

information and to reduce their sense of organizational isolation.

Our project team recommended a modest performance management process to DHS which would include the following steps:

1. *The Department of Homeless Services institute an annual self-assessment process for performance improvement for all Tier II facilities.*

2. *The process would include four elements:*

i) A written self-assessment document to be completed by the facilities.

ii) Quarterly meetings to address common obstacles to improved service delivery.

iii) Early individual technical support sessions for those facilities whose self-assessment documents reveal incomplete or problematic mission statements, goals, or objectives.

iv) An individual interview with facilities at the end of the selected year (assessment period) to review the progress made towards each facility's self-improvement goals.

3. *The Department of Homeless Services should pilot test the process with a sample group of facilities before extending it to all facilities.*

As noted earlier, our findings suggest that the facilities reviewed are overwhelmingly in favor of participating in a self-assessment review of service delivery.

4.0 THE CHALLENGE OF MANAGING NON-PROFIT CONTRACTORS

The implementation process described above raises significant issues of accountability and management. Principally:

• Does government know how to effectively manage these non-profit vendors?

• Do these non-profits have the ability to manage and track public funds and

public programs?

• How does government ensure that public policies are translated into program outputs and outcomes?

4.1 GOVERNMENT SKILLS AND SYSTEMS

In our work with the Department of Homeless Services that agency had analyzed the management needs of their new implementation process and had reorganized themselves to provide adequate management oversight and direction. A "desk" officer system was established and staff were assigned by borough to visit and monitor the performance of non-profit vendors. Previously, contract offices had established reasonably close relations with the administrative staff of vendor organizations. Documentation of funds and spending was folded into routine contract management processes.

However, until the reorganization, there was no way to connect contract funding inputs to agency outputs and outcomes. Paper compliance with contract requirements ensured that something was taking place within vendor organizations, but the city couldn't be sure if the outcomes conformed with the Mayor's policies. At the time of our research this system was just being put into place, as the city realized that it needed to develop new standard operating procedures for communicating with and monitoring service providers.

Based on our research we expect a number of issues to emerge from these new procedures. First, non-profits may resist interaction with the City. These organizations are accustomed to their independence and resist what they consider to be "interference" and government red tape. Second, it will take several years until informal relations emerge to ensure that critical information is routinely exchanged. Third, unless the city offers technical assistance to some of the smaller non-profits, these agencies will have difficulty being responsive to city priorities and concerns.

Our project team believed here, and also in similar work we performed for the Philadelphia AIDS Consortium (TPAC), that the first stages in setting up a performance management system was to establish a process for sharing information and lessons among nonprofit contractors. Program (as opposed to contract) reporting requirements on non-profits must be established with great care, and with the full participation of the non-profit community. Once this initial phase is completed, then additional measures of quality and cost-effectiveness can be gradually introduced.

As our study indicated, many of these agencies do not measure the quality of their service delivery systems, and in many cases do not see service delivery as a system. Instead they see it as a collection of discrete cases. In addition, cost effectiveness analysis and unit pricing are far beyond the current capability of many of these nonprofit vendor agencies. In many cases there is a relatively complete separation of administrative staff who work with contract budgets from program staff who deliver services. Moreover, in the lean budget environment of the mid-1990's there is little chance that funding will be available for management or policy analysts capable of linking these two staffs and the information they generate. Most service providers do not know how much money discrete elements of their service delivery system cost to provide, and therefore asking them to provide this information is a waste of time. The cost and quality data collected under current conditions would be unreliable.

4.2 NON-PROFIT ORGANIZATIONAL CULTURE

While many large non-profit organizations have sophisticated management systems, the vast majority of small non-profits we interviewed who deliver services to homeless families and individuals with HIV have not had the resources to invest in management. Many of these organizations are highly mission-driven and are staffed by highly dedicated people. Developing and implementing management systems to ensure that work routines are effectively performed is antithetical to the mission-dominated culture of these organizations. Taking time to organize things seems to be a luxury when there is so much human need and genuine misery with which to deal.

In our discussions with homeless and HIV service providers, we found a great desire to interact with peer organizations and learn from each other. Many of these organizations are completely involved in their work and desperate for contact with other individuals and organizations encountering similar stresses. In New York City, the organizations delivering services to homeless families formed their own organization to do this and were quite open to having the city Department of Homeless Services play the role of clearinghouse and convener. However, what was striking to us as we reflected on our discussions with city officials and non-profit service providers, was how much organizational learning would be needed before these two groups could form a single service delivery system. The city has very little experience fostering communication and exchange of information, and many of the non-profits are not capable of participating in an exchange or partnership relationship with the government.

There also is a potential clash of culture in this interaction. Government organizations are designed to ensure accountability. Each act of government must be authorized, authorizations must be based in law, and laws must be enacted by duly elected public officials. Non-profit service providers are designed to provide rapid direct assistance to those in need. Authorization of actions is far less important than the performance of actions. In the non-profit service providers' view, ethics, morality, compassion and human decency provide all the authorization their actions require. Moreover, asking for reports, data, systems, and answers detracts from the all-important mission of helping people.

The challenge for government is to convince mission-driven non-profits that better management can lead to more effective service delivery. This will be difficult because one of the problems with analyzing costs and benefits and attempting to maximize bang for the buck is that at some point you must explicitly decide what *not* to do. Many organizations make their trade-off decisions implicitly, by the work that they do first, and by the work that remains and is never done. However, in those cases, at least the organization does not have to face the explicit choice to leave someone or something behind. It may be that such explicit trade-off decisions can destroy the delicate balance of the organizational culture of some mission-driven organizations. Nevertheless, in our view, the need of government for accountability and as a means of connecting policy formulation to policy implementation requires that these service providers be more routinely linked to the government agencies that provide them with resources and set policy direction for their work.

5.0 CONCLUSIONS: LESSONS FOR GOVERNMENT

As we attempt to reinvent government and experiment with new ways of delivering services, the issue of management control systems must be revisited. The need for accountability to elected leaders requires administrators to be capable of reporting what has been purchased with government funds. This requires the type of information that can be gained through standard financial accounting and reporting. We are convinced that the nonprofit organizations we have interviewed are capable of participating in this form of monitoring and are equipped to do so.

However, the information required to measure and improve service delivery, and improve the cost effectiveness of service delivery will be more difficult to obtain and in many cases must be developed and routinely collected by non-profits before it can be reported to government. One of the reasons that government contracts with these small nonprofits is their flexibility and mission orientation. Management systems must be developed that adjust for the culture and attributes of these organizations. We have observed an openness to learning among these organizations, but also a deep fear that standards, reporting requirements and monitoring would result in punishment and reduced funding.

As indicated by the modest proposal we made to the New York City Department of Homeless Services, we believe that a staged process can be established geared to organizational learning and quality improvement. At this point we do not know if this first step can eventually evolve into a more comprehensive performance management system. It may be difficult to develop tighter effective connections between government and non-profit social service providers. In any event, that issue must remain a matter for further study once the system we proposed to New York City's Department of Homeless Services is up and running.

APPENDIX A: OPERATOR INTERVIEW GUIDE

Name of Interviewer:

Name of Respondent:

Name of Organization:

Date:

(KEY: = Interviewer probe)

1. What type of work does your organization do?

What is the organization's mission/goals/objectives?

What general type of services do you provide to customers?

2. Describe your customer population:

Age:

Racial/Ethnic Group:

Gender:

Employment status:

Average length of time customers have been homeless: Marital status:

Average number of children per customer:

Other key descriptors:

3. What do your customers need from your organization?

While your organization may or may not be able to provide all of these services, perhaps your customers need counseling, employment services, health care, or child care services.

Do customer needs vary by facility?

4. What services are you able to provide to address those needs? What services are you unable to provide? What are some of the obstacles to providing services?

What kind of improvements do you think would help in delivering services more effectively and efficiently?

Are obstacles different at each facility?

5. How do you identify your customers' needs?

Does the identification process vary by facility?

6. How do you measure customers' needs?

How do you measure the range of needs?

Does this vary by facility?

6A. Do you have any written records of customer needs?

IF YES: ASK IF COPIES ARE AVAILABLE AND WALK RESPONDENT THROUGH THE DATA TO MAKE SURE YOU UNDERSTAND THEM

7. How many people does your organization serve?

By facility?

Daily?

Weekly?

Monthly?

8. What are the maximum, minimum, and average lengths of stay in your facilities?

Maximum

Minimum

Average

9. What is your total capacity?

9A. What is the capacity of each facility?

10. Do you have any repeat customers? ¨ YES ¨ NO

Of the people you serve, what proportion are repeat customers?

11. Do you measure the cost of service delivery? ¨ YES ¨ NO

11A. If yes, how?

ATTEMPT TO DEFINE A UNIT OF SERVICE AND IDENTIFY PER UNIT COST OF SERVICE DELIVERY. IF THIS IS NOT POSSIBLE, PROBE ON THE ORGANIZATION'S COST STRUCTURE.

How much does the organization spend on:

--*Rent, utilities, other fixed costs.*

--*Personnel.*

--*Equipment.*

--*Additional OTPS.*

--*Capital.*

12. How do you appropriate funding to each facility?

How do you track expenditures by facility?

13. What are your sources of funding?

Do you receive any external funding? (RESPONDENT DOES NOT HAVE TO NAME THE SPECIFIC ORGANIZATION PROVIDING FUNDING)

IF NO EXTERNAL SOURCES OF FUNDING

↓

↓

13A. Would information about ways to secure external funding be useful to you? Do you have staff members who are knowledgeable about proposal writing?

14. How many people work for your organization?

14A. How many people work at your main office?

What are the key responsibilities of your staff members?

What is your turnover rate?

How many volunteers work in your main office?

14B. How many people work at each facility?

What are the key responsibilities of facility staff members?

How many volunteers work in your facilities?

15. What type of skills and training do members of your main office staff have?

What additional skills and/or training are needed?

16. What type of skills and training do staff members at your facilities have?

What additional skills and/or training are needed?

17. How is the quality of service delivery measured here?

How do you define "quality" service, and how do you know if you are reaching your goals for quality?

What types of measures might be useful?

IF QUALITY IS MEASURED, TRY TO GET DOCUMENTATION (COPIES OF INSTRUMENTS, ETC.)

18. What areas of service delivery would you improve if you could?

How might these be improved?

What are the key obstacles to improving service? Do the obstacles vary by facility?

What additional resources, technical support, could be helpful?

19. How do you communicate with your facilities?

How do you find out what your facilities need?

How do you gather information from your facilities?

20. Do you exchange information with your peer agencies on a regular basis?

What kind of information do you exchange?

Do you also coordinate services?

21. Would your organization be willing to participate in an annual review of service delivery? ¨ YES ¨ NO

A review might identify customer needs, service shortfalls and technical assistance needs; is this something this organization seems to be looking for?

¨ *YES* ¨ *NO*

How might an annual review be designed that would be most useful to your entire operation and to your individual facilities?

22. Are there any other comments you wish to make?

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