RESOURCE DEPENDENCE AND ORGANISATIONAL BEHAVIOUR IN THE NON-PROFIT SECTOR: THE PORTUGUESE CASE

BY

Isabel Maria Macedo
Department of Social Policy and Social Work
University if Warwick, UK
E-mail address: imacedo@warwick.ac.uk

and

John Harris
Department of Social Policy and Social Work
University if Warwick, UK
E-mail address: J.Harris@warwick.ac.uk

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ABSTRACT

During the last few decades it has been generally accepted that there has been extensive sharing of responsibility between the state and non-profit organisations (NPOs) in order to accomplish public purposes. As a result, the relationship between both sectors, and the degree of dependency of NPOs on the state has been acknowledged as a critical issue within social and public policy debates. However, the intensity of this debate has not been matched by a search for empirical evidence, which might assist in assessing the nature and extent of this dependency as well as the implications, either for the non-profit sector or the state. Therefore this paper seeks to address this gap in the literature by providing empirical evaluation of the nature and scope of non-profit organisations dependency on the state for resources regarding the Portuguese case. It also analyses the implications that different types of resource dependencies might have on the perceived autonomy of these organisations and on their organisational behaviour.

Key Words: Resource dependence, financial dependence; organisational behaviour

INTRODUCTION

Current literature on the non-profit sector has given evidence of the so called, “associational revolution”, a term used by Salamon (1995) to characterise the rapid expansion of this sector. In this process, there has also been given evidence of an extensive pattern of state funding of non-profit organisations, which reflects not only an increasing reliance of the state on the non-profit sector to carry out public purposes, but also emphasises a dependency from non-profit organisations on state funds. As it is widely recognised, government has become a major funding source of non-profit activity (James, 1989; Salamon, 1995; Anheier and Saibel, 1990; Salamon and Anheier, 1996; Kuhnle and Selle, 1992; Kramer, 1985; Gidron et al., 1992; Kendal and 6, 1994). This trend has put forward an intense and multi-disciplinary debate on the nature of the dependency relationship between the state and the non-profit sector. However, it is also worth emphasising that apart from some exceptions (Saidel, 1991), the intensity of this debate has not been matched by a search for empirical evidence, which might assist in assessing the extent to which non-profit organisations are effectively dependent on the state for resources. The issue of dependency has been mostly studied by assessing financial dependence and, to our best knowledge, very little research has focused on other types of resource dependence. Besides, no direct evidence has also been reported that that this financial dependence also implies organisational dependency (Pasquinelli, 1997). Therefore, further empirical research is
required in order to provide a clearer and a more comprehensive account of the relationship between the state and the non-profit sector.

It seems also relevant to note that, the existing literature on the government/non-profit relationship has been rooted in research undertaken, mainly in the USA and U.K. In fact, the first efforts to address, the extent and character of the state/non-profit relationship, which can be evidenced since the 1980s. (Kramer, 1981; Salamon and Abramson, 1982; Salamon, 1987a 1987b; Gronbjerg, 1987; Ostrander et al., 1987; Lipsky and Smith, 1990; Wolch, 1990) have focused on the scope and structure of the American non-profit sector. With a few notable exceptions (James, 1989; Anheier and Seibel, 1990; Gidron et al, 1992; Salamon and Anheier, 1997) less attention has been given to other countries. This bias is also pointed out by Lewis (1999) who argue that larger, bureaucratic forms of organisations have been, so far the focus of much of the third-sector research and that less emphasis has been concerned with small-scale, local or ‘associational’ forms of activity.

Given the above considerations, the major purpose of the present study is to provide empirical evaluation on the scope of the state/non-profit sector relationship. A particular focus will be given to the study of NPO’s dependence on the state for resources. Defining resources as ‘anything of value, tangible or intangible’ (Saidel, 1991: 544), this research will also attempt to analyse the implications that different types of resource dependencies might have on the perceived autonomy of these organisations, as well as on their organisational behaviour.

Considering that the Portuguese non-profit sector has been acknowledged as highly dependent on the state (Santos, 1987; Pereirinha, 1997; Hespanha et al. 1997) it seems that this country may provide an interesting case study, which may be applied to other countries with similar social and cultural background. Based on the above discussion, this paper addresses the following research questions:

1. To what extent does financial dependence, compared with other resource dependencies, contributes to the organisational dependence (or autonomy) of non-profit organisations?

2. To what extent and how does resource dependence influences the perceived autonomy (or dependence) of non-profit organisations in relation to the state?
3. To what extent, and in which ways, does resource dependence, impacts on the organisational behaviour (organisational and managerial attitudes and orientations) of non-profit organisations?

BACKGROUND

Dependence or inter-dependence within non-profit/statutory relations: A question of perspective

It has been suggested that dependence between state and non-profit organisations runs both ways. If on one hand, dependence can be found from non-profit organisations in relation to the state, on the other, governments have also become dependent on non-profit organisations (Kramer, 1992; 6, 1994; Seidel, 1991). As pointed out by 6:

While non-profit service providers are dependent for financial resources, information, legitimacy and other resources on government, it is also true that government strategies, and some forms of health care in Europe and the USA have intended to reduce both absolutely and relatively the quantity of directly provided government provision, in favour of non-profit activity, on which governments have then become dependent (6, 1994: 12).

In this context, characterised by what has been called as a “mixed economy of welfare” and, given the late developments within the statutory/non-profit relationship, the present study supports the view shared by some distinguished academics and non-profit commentators who argue that the construct of “mutual-dependency” or ‘inter-dependency” should be used instead.

In a research conducted in US about dependency and inter-dependency between the state and the non-profit sector, Saidel described this relationship as one of “substantial and symmetrical resource interdependence (1991: 543). This finding was obtained through a study conducted on New York State executive branch agencies and non-profit organisations that held contracts with state government for the delivery of public services. However, and considering that the constructs of mutual-dependency or inter-dependency can be used to describe the state/non-profit sector relationship, in the present study only one side of this relationship, the dependence of the non-profit sector in relation to the state, will be considering, as a way of delimiting the scope of analysis.
ASSESSING THE NON-PROFIT SECTOR’S DEPENDENCE ON THE STATE

Since the state has become, during the last decades, an increasingly important source of income for non-profit organisations, particularly in awarding contracts, it is not difficult to understand the reasons why the dependent nature associated with the non-profit/statutory relationship has been, so often emphasised as an outstanding feature. However, little research has been directed to assess empirically this relationship (Saidel, 1991, Anheier et al., 1997).

Using a resource dependence framework Saidel (1991) analysed what resources were exchanged between state government agencies and public-benefit organisations. Saidel’s research findings evidenced that state agencies provided non-profit organisations with revenues, information; political support/legitimacy and access to the non-legislative policy process to non-profit organisations, and in turn, non-profit organisations supplied their service-delivery capacity, information, political support, and legitimacy to state agencies (Saidel, 1991).

Defining resources as ‘anything of value, tangible or intangible’ (Saidel, 1991: 544), the resource dependence perspective will be adopted in the present research (Figure 1).

**Figure 1 - Dimensions of Resource Dependence**

![Figure 1 - Dimensions of Resource Dependence](image)

Adapted from (Saidel, 1991)

Since the majority of studies have in most of the cases focused on financial dependence, it is likely that, to a certain extent, other resource dependencies might
have been overshadowed. Therefore, this study also seeks to analyse the influence that non-financial resources might have, on the perceived dependency from non-profit organisation’s managers, in relation to the state.

According to the resource dependence perspective, organisations are not capable of generating all the resources they require to survive (Pfeffer and Salancik, 1978). As a result, they engage in transactions to satisfy unfulfilled needs. In this process, it is expected that the degree of dependence will depend upon where an organisation gets its resources. Since different types and sources of funding can be found in the non-profit sector, a distinction between state funds and private funds also needs to be considered. Given the diversity of this sector, it is also expected that variations on the perceived resource dependence will be found among different sectors of activity, as well as among other demographic dimensions that characterises the non-profit sector.

In the following section, the implications of resource dependencies on the perceived autonomy of non-profit organisations will be examined.

THE IMPLICATIONS OF RESOURCE DEPENDENCIES FOR NON-PROFIT ORGANISATIONS

Resource Dependence and Autonomy: What Relation?

The non-profit sector is often associated with a particular set of attributes, values, norms and motivations in which its distinctive character and its not-for-profit purpose has been highly emphasised. However, the significant increase of non-profit organisations providing services under contracting has given expression to the fear that this contract culture would compromise the values and goals of non-profit and voluntary organisations (Taylor, 1990; Smith and Lipsky, 1993; Billis, 1993). Furthermore and since growing dependency on statutory funds carries with it the risk of loss of identity (Brenton, 1985), the autonomy of these organisations has been increasingly questioned and an intense debate on the implications of a funding relationship has reinforced the argument that government support undermines the independence of these organisations, diverts them from their basic objectives, and leads to an excessive professionalisation (Butler, 1985, 1977; Smith and Lipsky, 1993).
As it emerges from the literature, the non-profit’s dependency on the state has frequently been viewed as an undesirable effect derived from the increasing contract culture in which dependence is seen as the price to pay for state funding (Gutch, 1992, Kramer and Grossman, 1987; Phaure, 1994; Salamon, 1987b; Smith and Lipsky, 1993). However, the implications arisen from this dependency are not clear, either from the governmental or the non-profit sector’s perspective. As some authors observed, research has offered little explicit and systematic empirical evidence for the state dependency thesis (Anheier, et al, 1997; Essex, 1998).

Interestingly, some research findings reported by Saidel (1991) have challenged the assumption upon which the non-profit’s financial dependence on the state is often associated with a general loss of autonomy. Accordingly, the state and the non-profit sector not only evidenced mutual resource dependence but as it is also suggested substantial resource autonomy was also to be found within each sector.

Given the above discussion, the present research seeks to examine the extent to which resources dependence impacts on the perceived organisational autonomy (or dependence) of non-profit organisations. The degree of autonomy (or its reverse, dependence) of non-profit organisations will be assessed by analysing the state influence in a set of activities or decision-areas within non-profit organisations. For that purpose, managers will be asked to rank the degree of state influence in set of key strategic and operational decisions.

The justification for this approach relies on the assumption that the decision-making autonomy may reflect the extent to which non-profit organisations can be considered or not as independent from the state, i.e. to know whether the state, influence in any way, their decisions. Besides, this approach has also been taken by David Billis (1992) who assessed autonomy by the way organisations make their decisions, i.e. to know whether the organisations can decide, without seeking the permission of a state body. Drawing from the above discussion, the following research propositions are suggested:

Hypothesis 1:

The higher the resource dependence of non-profit organisations (NPOs) on the state, the lower is the organisational autonomy perceived by NPO’s managers.
In order to evaluate the importance that non-financial resources might have in the organisational autonomy, the following propositions are proposed:

Hypothesis 2:
*The higher the dependency of non-profit organisations on the state for non-financial resources, the higher is the organisational autonomy evidenced by NPO’s managers.*

Hypothesis 3:
*The higher the dependency of non-profit organisations on the state for financial resources, the lower is the organisational autonomy perceived by NPO’s managers.*

**Resource Dependence and Organisational Behaviour**

Current literature on the non-profit sector has often emphasised the general statement upon which non-profit’s financial dependence on the state has lead to a state oriented behaviour, characterised by the assimilation of some bureaucratic organisational features.

Furthermore, other adverse effects of government funding of the non-profit sector have also been reported by researchers who argue that this funding relationship not only implies the loss of autonomy but also affects non-profit organisations in their operational discretions (Leat et al., 1981; Leat, 1995), brings with it a general degradation of important managerial capacities, such as flexibility, cost-effectiveness, as well as the capacity to innovate and encourage participation (Knapp et al., 1990). Additionally, it has also been suggested that, “greater bureaucracy and professionalism may change the composition, management style and ethos of the organisation (Leat, 1995: 171). Wortman (1993), for his part, maintains that the influence of government funding bodies can limit the action of non-profit organisations concerning important management tasks such as strategic planning and goal setting.

Taken together, these ideas underscore the impact of a contracting relationship, which according to Taylor and Lewis (1997: 37), has begun to change the management task
and the relationship between the different interests or ‘stakeholders’ within some voluntary organisations. In this line of thought, some concern has also been expressed that the demand for professionalism, associated with a managerialist trend, will jeopardize nonprofit organisations’ organizational culture (Flynn, 1992; Langan and Clarke, 1994; Phaure, 1994; Taylor and Lewis, 1997).

In what concerns financial dependence, findings drawn from a study conducted within German non-profit organisations suggest that organisational implications derived from ‘state orientation’ can be found as a result of non-profit organisation’s dependence on public funds (Anheier et al., 1997). However, as noted by these authors, a distinction, which involves the different types of public sector revenue, needs to be considered when assessing the implications of public sector funding. This distinction leads us to consider two different types of public sector revenue flows; first direct contributions by the government to the non-profit organisation like grants and contracts and second, third party-payments. The relevance of this distinction is evidenced by the fact that grant dependent organisations evidenced a more “state oriented” behaviour than third-party payment dependent organisations.

Interestingly and unusually Anheier et al. (1997) have avoided the dominant thought that non-profit funding with its corresponding problems, opinions and strategies, derives basically from public sector revenues. In fact, private resource dependencies are also found among most fields of non-profit organisations. According to these authors “the difference between predominant public sector funding and majority private sector funding emerges as the most important distinction to understand how organizational orientations differ” (Anheier et al., 1997: 212).

In the light of the above discussion, the present study seeks to analyse the extent to which and in what ways resource dependencies, as considered by Saidel (1991), impacts on NPOs organisational behaviour, which will be assessed by analysing the organisational orientations, opinions and strategies. Further, this research will also attempts to perceive whether variations in the organisational behaviour can also be related to different types of revenue and different resource dependencies. In this sense, it is avoided the too common assumption that non-profit dependency is basically financially derived.
It should be noted that the resource dependence perspective has also been applied to non-profit organisations and has proved to be an important theoretical tool to the understanding of problem assessments, opinions and strategies evidenced by these organisations (Anheier et al., 1997).

In line with the above discussion, the following research propositions are suggested:

**Hypothesis 4:**
The greater the resource dependence from NPO’s in relation to the state the more state oriented behaviour NPO’s tend to evidence.

**Hypothesis 5:**
The lower the resource dependence from NPO’s in relation to the state the less state oriented behaviour NPO’s tend to evidence.

**Hypothesis 6:**
Organisations that are predominantly dependent on public sources are likely to evidence a more state oriented behaviour.

**Hypothesis 7:**
Organisations that are predominantly dependent on private sources are likely to evidence a less state oriented behaviour.

**FROM CONCEPTS TO INDICATORS**

Derived from the literature review, the major concepts will be operationalised through the following indicators (Table 1).
### Table 1 – Measurement of the main constructs

<table>
<thead>
<tr>
<th>Main Concept</th>
<th>Dimensions (Indicators)</th>
<th>Author</th>
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<tbody>
<tr>
<td><strong>RESOURCE DEPENDENCE</strong></td>
<td></td>
<td></td>
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<tr>
<td>Financial resources</td>
<td>Importance</td>
<td>Saidel (1991)</td>
</tr>
<tr>
<td>• Revenue</td>
<td>Availability of Alternatives</td>
<td></td>
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<tr>
<td>Non-Financial Resources</td>
<td>Ability to pressure for provision</td>
<td></td>
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<tr>
<td>• Information</td>
<td></td>
<td></td>
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<tr>
<td>• Political support/legitimacy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• REVENUES</td>
<td>Dominant revenue structure:</td>
<td>Anheier et al. (1997)</td>
</tr>
<tr>
<td></td>
<td>Type and composition of revenue</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Public sector grants and contracts)</td>
<td></td>
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<tr>
<td></td>
<td>Third-party payments</td>
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<tr>
<td></td>
<td>Donations or commercial income</td>
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<tr>
<td><strong>ORGANISATIONAL AUTONOMY OR DEPENDENCY</strong></td>
<td>Degree of state’s influence perceived by non-profit managers in a set of activities or decision-areas.</td>
<td>Billis, (1992)</td>
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<td></td>
<td>Marketing decisions</td>
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<td></td>
<td>Personnel decisions</td>
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<td></td>
<td>Financial decisions</td>
<td></td>
</tr>
<tr>
<td><strong>ORGANISATIONAL BEHAVIOUR</strong></td>
<td>Organisational orientation:</td>
<td>Anheier et al.(1997)</td>
</tr>
<tr>
<td>Degree of state orientation</td>
<td>Managers were asked to rank the extent to which their organisations faced specific problems within different functional areas.</td>
<td></td>
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<td></td>
<td>Opinion Profile:</td>
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<tr>
<td></td>
<td>Managers were asked to rank their opinion on a set of dimensions about characteristics of state orientation;</td>
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<tr>
<td></td>
<td>Strategies:</td>
<td></td>
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<td></td>
<td>Managers were asked to identify, from a set of short and long term strategies, which best applied to their organisations.</td>
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</table>

**METHODOLOGICAL APPROACH**

Although the current methodological approach is mainly quantitative in nature ("what questions"), the sensitive nature of the topic under analysis lead to the application of some qualitative research methods addressing to some “why” questions. In such a context, combining quantitative and qualitative research methods enables the access to different levels of reality, providing a more holistic and contextual representation of the phenomena under study (Bryman, 1989). It is also argued that a mixed approach also enables a convergent validation or “triangulation”, leading the researcher to gather
an in-depth knowledge of all aspects, details, and dimensions of a research object. Based on the above considerations, the current study will proceed along a series of three interrelated research methods:

- Qualitative - Exploratory interviews (unstructured interviews);
- Quantitative – Questionnaire (mail survey);
- Qualitative – Confirmatory interviews (semi-structured interviews).

The first stage of data collection was mainly characterised by conducting some exploratory interviews, which according to Quinn (1986), can be considered as a way to obtain useful insight and ideas based on detailed descriptions of situations, events, people, interactions, attitudes, beliefs and thoughts. In the present research, the exploratory interviews provided important and valuable information that enabled, not only to identify relevant items to be included in the questionnaire but also to refine indicators drawn from the literature. Secondly, a mail questionnaire will be sent to a sample of non-profit organisations operating in Portugal.

**Population and Sample**

In the present study, all non-profit organisations operating in Portugal can be considered as the target population or universe from which the sample is to be drawn. Given the inexistence of a general database of all non-profit organisations operating within the different fields of activity, a sampling frame was then obtained from different State departments, which are in charge for supporting non-profit activity.

It should be noted that the diversity of state departments responsible for accounting records of non-profit organisations made the process of obtaining a complete sampling frame a difficult task. Furthermore, in order to avoid the duplication of cases among different national lists, it was decided to create a database, which includes the different national lists given by state departments. At the same time, some corrections were made, in order to guarantee the quality of the sampling frame from which the sample was drawn. The questionnaire will be sent to a sample of 1500 Portuguese non-profit organisations.
**Sampling Method**

Concerns about external validity and the ability to generalise have determined the method of sampling. In the present study, a major concern was to obtain a probability sample, which would permit inferences to be made allowing generalisation to the population. As suggested by Brewerton and Millward (2001), probability or random samples are preferable because they are more likely to produce representative samples and also enable estimates of the sample’s accuracy. In the present research organisations were selected randomly within major non-profit fields (ICNPO-Groups) separately, using random sampling techniques based on national listings of organisations.

**Research Effectiveness: Validity and Reliability**

Validity refers to the extent to which a test measures what the researcher wishes to measure. As Churchill (1995:533) observed, validity is defined as “the extent to which differences in scores on it reflect true differences among individuals on the characteristic that the researcher seek to measure, rather than constant or random errors”.

Reliability refers to the extent to which a scale produces consistent results if repeated measurements are made (Malhotra, 1996). It implies that two (or more) researchers studying the same phenomenon with similar purposes must achieve approximately the same results. The essence of reliability is repetitiveness, which indicates that if an instrument is administered over and over again, it will yield the same results. As Carmines and Zeller (1979) observed, reliability concerns the extent to which a measuring procedure yields the same results on repeated trials.

**Expected Contributions:**

The present research will provide a better understanding of the complex relationship between non-profit organisations and the state, namely:

- To advance our knowledge about the nature and scope of the state/non-profit sector relationship;
To assess the extent to which the non-profit sector is dependent on the state for resources;

To analyse the implications of resource dependencies on NPO’s autonomy;

To evaluate the implications that resources dependency might have in the organisational behaviour of NPOs;

To provide public policy makers with a better understanding about the non-profit sector, so that adequate policies can be implemented to match NPOs needs.

**Reference List**


