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TITLE:

**THE IMPLICATIONS OF GOVERNMENT FUNDING ON NON-PROFIT  
ORGANISATIONAL BEHAVIOUR : A RESOURCE DEPENDENCE PERSPECTIVE**

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## **THE IMPLICATIONS OF GOVERNMENT FUNDING ON NON-PROFIT ORGANISATIONAL BEHAVIOUR : A RESOURCE DEPENDENCE PERSPECTIVE**

### *Abstract*

It has been generally accepted that there has been an 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 for resources 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 organisational behaviour of these organisations.

**Key Words:** Resources dependency, financial dependency; organisational behaviour

### Issue to be addressed:

During the last few decades, the state has become an increasingly important source of income for non-profit organisations (<sup>1</sup>James, 1989; Anheier and Seibel, 1990; Kuhnle and Selle, 1992; Gidron et al., 1992; Kendall and 6, 1994; Leat, 1995; Salamon, 1995). In this context, it has been widely assumed that the dependency of the non-profit sector on the state is mainly derived from its reliance on the state for significant financial allocations, evidenced by the increasing use of contracts between the two sectors. However, there is no direct evidence which links financial allocations to NPOs with increased dependency on the state sector (Essex, 1998). An intense debate on the implications of this 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). However, and despite some notable exceptions (Saidel, 1991; Anheier et al., 1997), 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.

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<sup>1</sup> The reference list will be provided by the authors upon request.

In this context, this paper seeks to address this gap in the literature by providing empirical evaluation of the scope of non-profit organisations' dependency on the state for resources and to analyse the implications that different types of resource dependency might have on the organisational and managerial orientations pertained by non-profit organisations.

Given that the Portuguese non-profit sector has been acknowledged as highly dependent on the state for resources (Santos, 1987; Pereirinha, 1997; Hespanha et al. 1997), it may be that this country will provide an interesting case study, which might be applicable to other countries with similar social and cultural backgrounds.

#### The topic's relation to the state of knowledge in the field:

In the existing literature, the issue of non-profit organisations' dependence on the state has frequently been viewed as an undesirable effect derived from the increasing impact of the 'contract culture', in which dependency is seen as the price to pay for state funding (Gutch, 1992, Kramer and Grossman, 1987; Phaire, 1994; Salamon, 1987b; Smith and Lipsky, 1993). With some noteworthy exceptions (Saidel, 1991), little empirical work has been undertaken on the assessment of NPOs' dependency on the state. Work which has been undertaken has been mostly concerned with assessing financial dependency and, to our knowledge, very little research has focused on other types of resource dependency. Therefore, further empirical research is required in order to provide a clearer and more comprehensive account of the nature of the relationship between the state and the non-profit sector, as well as its organisational implications for the diverse range of organizations, which comprises this sector.

#### Methodological Approach:

Using a resource dependence framework, which draws on Saidel's research (1991) the present study seeks to examine the extent to which resource dependencies impacts upon the perceived autonomy (or dependency) associated with non-profit organisations. For that purpose, a set of key strategic and operational decisions will be analysed, as a way

to assess the non-profit's dependency on the state. Drawing on Anheier et al. (1997), the organisational implications derived from this relationship will be examined by measuring the non-profit's strategies, assessments and opinions.

In the case of the present study, three inter-related research methods are used: exploratory interviews, mail survey and semi-structured interviews. Data was collected from a representative sample of Portuguese non-profit organisations. To ensure the effectiveness of this research the validity and reliability of the measurement instrument was assessed. The final results will be presented at the Conference.

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