

The Myths of Horizontal Governance: Is the Third Sector Really a Partner?

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The Myths of Horizontal Governance: Is the Third Sector Really a Partner?

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The idea of ‘new’ or horizontal governance has been widely accepted as the current model of governing (Salamon, 2001; Rhodes, 1997, 2000;). In the face of globalization, a fragmented society and lack of trust by citizens, governments have come to recognize that they cannot solve complex public policy problems on their own and have turned to a more collaborative process of collective problem solving that involves partnership and interdependence at its central core (Salamon, 2001). Governance entails working through networks rather than hierarchies, embodies a variety of cooperative arrangements involving both state and non-state actors, and takes advantage of the proliferation of policy tools that has occurred over the past several decades (Ansell, 2000; Rhodes, 1997, 2000; Salamon, 2001). Greater collaboration is evident not only between government and its non-governmental partners, but among departments which are managing policy files in a more horizontal manner and are working with each other in more coordinated ways. In a context that centres on interdependence, not power relationships and on negotiation and persuasion, not control (see Peters, 2001; Stoker, 1998), the skills required for effective governing have shifted from those of management to those of enablement (Salamon, 2001: 11).

What is new about the ‘new governance’ is the scope and scale of this collaboration (Salamon, 2001). Non-governmental actors are involved in actual policy development, taking shared responsibility for decision-making, not serving just as third party contractors in the co-production or contracting of services. Governance then is much more than third party government (Deakin and Taylor, n.d.). The scale of such collaboration is also grander and multi-level, taking place not only at the micro level of service delivery (involving a government department and a non-governmental organization) and at the meso level of policy development (involving a set of departments and a number of organizations), but at the macro level, between a government as a whole and entire sectors. Because governance involves a full range of public, private and voluntary sector organizations and makes use of

a wide choice of policy instruments, the result is “an enhanced ability to respond to new challenges or changing circumstances,” which should ultimately lead to better policy outcomes (Webb, 2002: 4).

All of this would suggest a much greater role for the third sector as an equal and genuine partner in contemporary governing. But, the existence and operation of this new model of governance have been asserted more than they have been tested. To what extent is the third sector really becoming a governing partner? What are the challenges for involving the third sector more actively and at more levels in governing? The purpose of this paper is to put the concept of horizontal governance to the test, using a case study of Canada’s Voluntary Sector Initiative (VSI). The case examines how each of the four major components of governance – collaboration, instrument choice, horizontal management within government, and networks – played out in the process of two years of joint work between a national government and the voluntary sector. In many respects, the VSI could be regarded as a success that has enhanced mutual understanding and helped to forge a stronger government-sector relationship. It has also presented many serious challenges for a governance model, suggesting that the rhetoric and assumptions of horizontal governance have outpaced the realities of practice.

Canada’s Voluntary Sector Initiative

The Road to Relationship Building

As early as 1993, the Canadian government began talking about working in more collaborative ways, and “partnership” became the buzzword of the day (Savoie, 2003: 105). The idea got put aside for some time, however, as fiscal restraint and neo-liberal reforms took centre stage. The early to mid 1990s was thus a difficult period in the relationship between the Government of Canada and the voluntary sector as significant funding cuts were imposed on a wide variety of voluntary organizations, particularly on those engaged in advocacy. In addition, the legitimacy of voluntary organizations had been attacked by the political right as being “special interests,” producing calls for much tighter regulation of the sector (Phillips, 1992; Evans and Shields, 2002). The voluntary sector had little collective political voice at the national level and its primary relationships with federal departments were bilateral in nature. In short, the voluntary

sector was not really on the political radar screen and there was little policy oriented work regarding the sector going on in government.

A major step in changing the relationship was taken in 1995 when twelve leaders representing most parts of the sector came together to form a loose coalition, known as the Voluntary Sector Roundtable (VSR), and it began to assume a critical role in providing policy leadership. Faced with attacks on the legitimacy of the sector and the fallout from scandals south of the border being felt vicariously in Canada, the VSR established a panel of experts to make recommendations on improving governance and accountability in the voluntary sector. The Broadbent Panel, as it was known, understood its mandate as an opportunity not only to consider how to enhance governance and accountability within the voluntary sector, but how to improve the sector's relationship with governments, particularly the federal government which has key regulatory responsibilities. The Panel's February 1999 report, containing more than forty recommendations, was a milestone for the sector both because it set out an agenda for action and because it gave the sector confidence and greater cohesion. It also found a policy window ajar.

An important shift in thinking was by now beginning to occur within the federal government due to a convergence of several factors. The embrace of horizontal governance was not strongly rooted in a philosophical base, as was the Third Way for New Labour in the UK. Nor had Canada become so deeply committed to New Public Management that a new governance model was a reaction to the failure of preceding paradigms (Aucoin, 1995).¹ Rather, it was more pragmatic: a means of getting things done with fewer resources and a smaller state. More significantly, establishing stronger connections with citizens, and their organizations, was seen to be a means of restoring some of the visibility and legitimacy that the federal government had lost. The peculiarly Canadian twist in forging such connections is that they could be used to support national unity because they do not need to be mediated through provincial governments. In addition, there was also a push by key individuals, especially in the Prime Minister's Office, who understood the value of the sector from a democratic perspective and who saw this as a way of moving the Liberal government from its recent neo-liberal actions to its liberal roots of being a force of good in society. The formal encapsulation of this shift

came with the Liberals' 1997 re-election policy book in which a rather abstract commitment was made to engage the voluntary sector and increase its capacity to contribute to Canadian life. While it cannot be said that the federal government completely shared the sector's analysis or deep concern about the problematic nature of the relationship, the voluntary sector was at least on the federal radar screen.

At this point, both government and the sector recognized that the best way to proceed was in a joint manner. An innovative idea for a structure for how to do this – the concept of a “joint table” – was proposed. In the spring of 1999, three co-chaired Joint Tables, known collectively as *Working Together*, were created with seven members each from government and the voluntary sector to produce a set of recommendations by the fall for improving the relationship, building capacity and reforming the regulatory framework. From all accounts, *Working Together* was highly successful, affording constructive discussion on policy issues and, in a mere four months, arrived at a set of 26 consensual recommendations around these three themes. In June 2000, the process for implementing many of these recommendations was announced in the form of the five year, \$95 million Voluntary Sector Initiative – which was to be an unprecedented exercise in working together for the Government of Canada and the voluntary sector.

The VSI

While major attempts at reforming relationships between government and the voluntary sector were already underway in a number of other countries, the Canadian approach is distinctive in three important respects. First, the approach was comprehensive, rather than incremental. In the UK and other European countries, the approach has been to proceed in a more incremental or staged manner, fixing one thing at a time (such as the relationship, tax reform, definition of charity, regulation etc.) and then moving on to the next, nevertheless ultimately achieving major change. The Canadian strategy put virtually everything on the table at once: building a better relationship; expanding research; promoting volunteerism; reforming the regulatory regime (albeit in a limited way); enhancing capacity; improving technology; and raising awareness. Given the broad agenda set by the Broadbent Panel and the *Working Together* process and a sense that the policy window might not remain open for long, there was a desire by both

government and the voluntary sector to push as much through that window as possible. Thus, a broad mandate was established without clear priorities among its components.

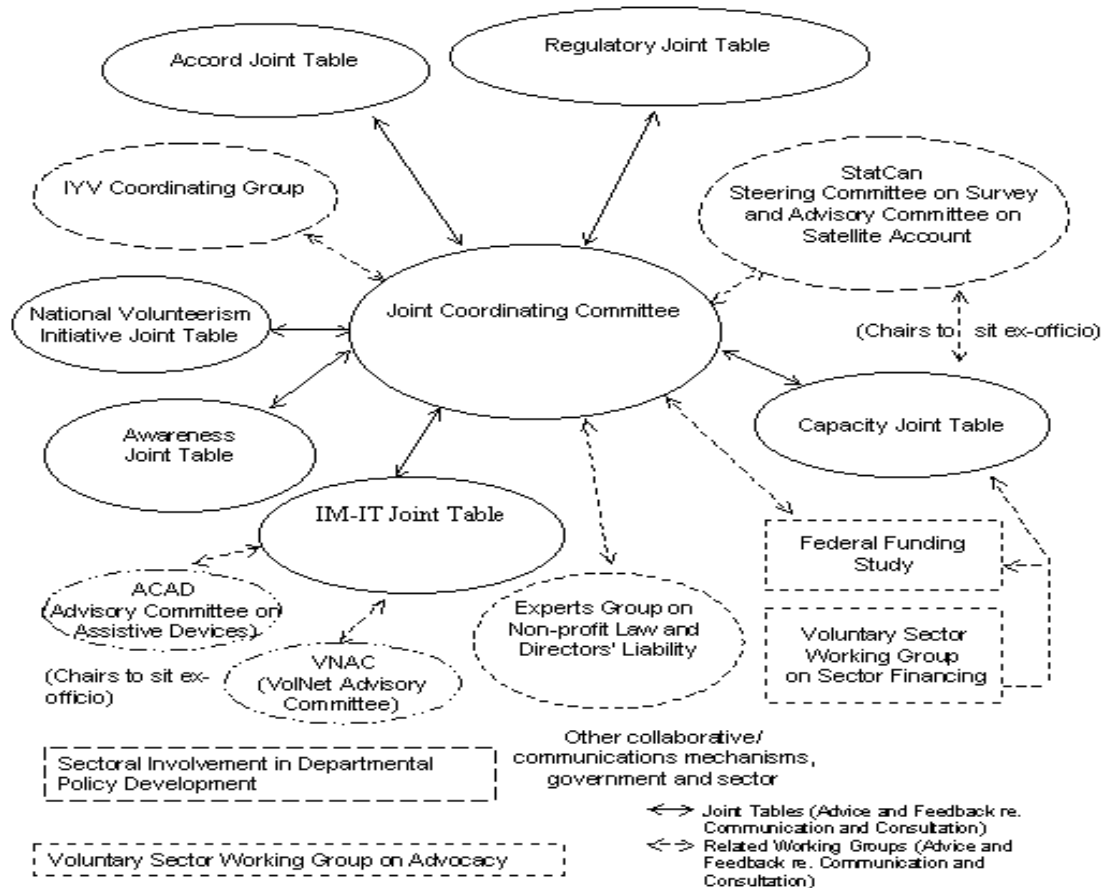
The second feature is the institutional design of the mechanism for achieving this. For purposes of collaboration, the VSI created a series of six Joint Tables with a seventh Joint Coordinating Committee, and a time frame of two years (from the fall of 2000 to the fall of 2002).² Based on the *Working Together* model, each co-chaired Joint Table had an equal number (7-8) of senior public servants and senior staff (or board members) from the voluntary sector with the sector choosing its own representatives so as to produce a broad cross-section of representation of the sector. In addition to this formalized collaboration, the broad diversity of the sector was engaged through a series of consultations across the country and via e-conversations on the website.³

The VSI was complicated by the fact that not all of its work was to be accomplished in a joint manner. The federal government was not prepared to deal with several issues, notably financing the sector and advocacy, through a joint process, so sector-only groups were established on these topics.⁴ Given the breadth of its mandate, one objective of the VSI process was to encourage participation by as many federal departments as possible, and it was therefore intentionally decentralized across government. Decentralization was achieved by having ten departments manage the funding envelopes and provide secretariat support for the Joint Tables, as well as undertaking certain aspects of the work directly. Leadership for this complex structure was provided on the government side by a Reference Group of eight ministers and by an Assistant Deputy Minister (ADM) Executive Committee. Leadership for the voluntary sector was carried forward from the *Working Together* process by the VSR which transformed itself into a broader group by including the voluntary sector co-chairs of the Joint Tables and working groups. Both the Government of Canada and the voluntary sector had their own secretariats funded by the Initiative: the Voluntary Sector Task Force (VSTF), housed in the Privy Council Office to serve the former, and a slightly smaller Voluntary Sector Initiative Secretariat (VSIS) for the latter. The array of Joint Tables and associated mechanisms are illustrated in Figure 1.

The third distinctive aspect is that the VSI was a management hybrid: policy development was overlaid by project management. The Joint Tables were charged with a

variety of *policy* related tasks (such as the development of a framework agreement, called an Accord, and proposals for reform to the regulatory framework), as well as with a number of *operational* tasks (such as the design and contracting of various projects for research and for developing capacity in the sector). Because the Joint Tables were collaborations, not institutions of government, they had no legal authority to hold and manage public funds, relying on government departments for such management and on government financial instruments for funding the projects contracted to third parties.

Figure 1
Structure of the VSI



Source: Voluntary Sector Task Force, Government of Canada

In short, the Initiative was collaborative in its process, broad in its mandate and variety of tasks, horizontal across government and intended to reach out across the networks of the voluntary sector. In effect, it appears to have embodied a model of

horizontal governance. To what extent was there genuine collaboration, real instrument choice, effective horizontal management, and engagement of networks? In other words, to what extent was this really a case of the new governance in action, and what were the inherent challenges in the process?

Collaboration: The Challenges of Working Together

Collaboration related to public problem solving is at the heart of the new governance, but for an idea so central, its institutional implications are poorly developed. Yet, as Klijn and Koppenjan (2004) note, the institutional design of governance mechanisms have important effects on structuring relationships and networks, as well as on shaping policy outcomes. The first challenge then is to push our thinking about what kinds of institutional support are required for collaboration and what are the implications of collaboration for other governing institutions. Specifically, three issues arise:

- *What* is the nature of the problem to be solved in the first place?
- *How* is collaboration supported and sustained?
- *Who* participates as representatives of government and the other parties, particularly if the collaboration is pitched at the sectoral level involving government as a whole and a sector as a sector?

What Problem?

The literature on problem framing (Kingdon, 1984; Stone, 1989) reminds us that problems are not given, but need to be shaped and framed, and that this is inherently a political process. In the context of collaboration, a key factor is whether the problem has been framed jointly, or at least whether there is mutual agreement on the nature of the problems at hand. The VSI experience illustrates how difficult it is for government to give up control over problem definition.

It has been said of the VSI that “it was played by the sector’s agenda, but the government’s rules” (O’Hara, 2002). This is partially true, at least in the application of rules. What this observation implies more fundamentally, however, is that the government and voluntary sector had differing priorities for what they wanted to achieve

in the VSI, and that the sector had perhaps a clearer view of its goals than did government. The issue agenda had been quite well articulated by the voluntary sector through the Broadbent Panel and the *Working Together* process with the core issues being: the definition of charity and regulatory reform;⁵ financing and capacity building; and advocacy.⁶ When government took up the task of codifying the recommendations of *Working Together* for action, it necessarily had to seek Cabinet approval. And, this is by tradition a secret process and results in a secret document known as a Memorandum to Cabinet. Public servants took the unusual step of showing the proposed budget contained in the Memorandum to voluntary sector leaders and, based on their feedback, made some significant changes. But, this approval process is fundamentally unilateral in nature. It means that some measure of government control and direction of a collaboration is established, intentionally or not, at the outset.

Process aside, government priorities did, in fact, differ somewhat from those of the sector. For government the top priorities were the development of an Accord and the creation of a national volunteerism initiative, while these were in middle of the list for most of the voluntary sector (Canadian Centre for Philanthropy, 2000). Although the government may have had a less well developed idea of what it wanted to achieve through the VSI, it had a clearer view of what it did not want, and in particular the politically imbued issues of definition of charity, advocacy and financing were not going to be dealt with at this time through a joint process.⁷ But, whether these issues were off the table or not had only been specified (if their status had been clarified at all) in the secret Memorandum to Cabinet. Throughout the VSI, there was thus considerable confusion for many of the sector participants about the status of these key issues, and this resulted in ongoing criticism of the process and a sense by some that it was not a genuine partnership.

Could such highly sensitive, political issues be effectively addressed in a collaborative process? Not unless both parties were willing to do so, and this was not the case. The experience also points to the need for government in a Westminster system to develop more open processes for articulating the mandate of a collaborative process so that a sense of working on an equal footing can be established from the beginning.

The Machinery of Collaboration

Some governing collaborations, such as the VSI, could be described as being of the “up front and personal” type. They involve people being at the table, literally, that is, actually sitting down in chairs at a table in a process of dialogue and decision making over an extended period of time. This type of process makes different kinds of demands and takes a different sort of toll on participants than does a process that is mediated by a third party or where contact is less direct, less consistent or less intense. As the main vehicles for collaboration in the VSI, the Joint Tables were widely regarded to be highly successful, facilitating frank and open dialogue and helping to build mutual understanding among participants from both sides.⁸ Most worked relatively autonomously, with support from their secretariat or ‘their’ department and with minimal control from the centre (either from the Joint Coordinating Committee or the political leadership of either government or the sector). The strength of this model was that it bridged differences and built a strong sense of collective effort within each Joint Table, while its shortcoming was that the autonomy of each Table made it more difficult to caucus across Tables, thereby developing a sector-wide or a government-wide perspective.

Although generally effective, the Joint Table model raises several issues for the design of collaborative mechanisms. The first is whether collaboration over a relatively long period of time (almost two years) and involving senior staff from both sides is better suited to matters of policy than of operations or implementation. The VSI suggests it works better for policy than operations. The Joint Tables that got on with and completed their work in a timely manner were those that were more focused on policy. Those dealing with operational issues, such as developing Requests for Proposals for contracts, were more likely to get bogged down in details, at which point some people stopped attending or ceased to be enthused about the value of the process.

The process of building trust and mutual understanding in a relationship is done by people not sectors, and it is an iterative one, involving people meeting together over a period of time. Whether the same players are at the table throughout this process makes a difference. A second issue then is how to maintain continuity of participation over an extended period. During the twenty months that the Joint Tables met actively, a third of

the total membership (of about 125 people) changed. The turnover was much higher on the government side at 50 percent, compared to 10 percent for the voluntary sector. The reason for the high turnover on the government side was not lack of interest. Rather, it stems from the high levels of mobility in the public service. A flat demographic profile in the public service of Canada whereby those in senior and those in middle management are close to the same age means that there will be an enormous number of retirements over the next decade, the front edge of which is already being felt. Public servants thus move around and advance with great speed, seldom remaining in a position for more than two years. When public servants are reassigned, they tend to drop such horizontal commitments if these are not directly related to their new assignments. In contrast, the issue for the voluntary sector was one of capacity not continuity.⁹ Most non-governmental participants are going to take on the work of collaboration in addition to their full-time jobs. For large organizations or for those whose mandate is policy work in the first place, they may be able to hire staff to be professional collaborators on behalf of the organization or to backfill the costs of an absent Executive Director or other senior staff member who are busy with collaboration. For smaller organizations, this will be much more difficult and they thus bear heavy costs of collaboration.

The third challenge for relationship building exercises between sectors is how to sustain the machinery and extend and entrench the learning acquired by individuals across their respective organizations and sectors. Although the participants in the Joint Tables developed a much deeper understanding of the 'other,' there was no systematic way to drill this learning down within or across government departments and voluntary organizations. The challenge is asymmetrical, however. Because voluntary organizations are much smaller and are flatter hierarchies than most government departments, intra-organizational learning is more readily achieved. Because both the sector and national governments are large and diversified, however, inter-organizational learning tends to be limited. In this case, the machinery for carrying forward collaboration on the outstanding aspects of the VSI was not announced until the last meeting of the Joint Tables in October 2002, creating considerable uncertainty and skepticism as to whether there would be any follow-up at all. The collaborative aspect is continued through a Joint Steering Committee of 12 representatives, and is supported by a Ministerial committee,

an administrative unit in a line department. As planned, a new coalition has been formed to replace the VSR and monitor completion of the VSI, but it only has secure funding until March 2005. The challenge will be to sustain political interest of ministers and senior management to make the machinery effective in dealing with some of the tough outstanding issues and to continue to provide policy leadership within the sector.

Models of Representation

Who represents and speaks for governments and the voluntary sector in collaborations such as this? This is necessarily more complex for the voluntary sector which is more diffuse network than is government. Two basic models of representation, involving quite different tradeoffs, were possible. The first is to focus on *organizations* as representative bodies. In this model, the direct participants are national or regional umbrella organizations which represent broader memberships and constituencies, and which are relied upon to use their networks to engage and be accountable to the broader diversity of the sector.¹⁰ The alternative model is to focus on *individuals* by bringing a group of people into the process who collectively represent a broad, diagonal cross-section of the voluntary sector. This might be called the “grid” approach: individuals are chosen to fill out a matrix of criteria, such as geography, policy field, gender, age and so forth. At least implicitly, the better representatives are those who can cover off more than one category. While this may look good on paper, there may be little connection between these personal attributes and the individual’s ability to actually articulate the interests and connect with any of these constituencies. There may also be no expectation or capacity for accountability back to these constituencies. As Taylor (2003: 186) argues, “What is surely most important is not so much who the representatives are as how they are elected and how they are accountable to, and informed by, their local communities.”

The VSI explicitly chose the latter model. It is the more common way to organize representation in consultative processes in Canada and it reduces the political risk of appearing elitist since diversity is represented directly. A preference for dealing with citizens as individuals is also inherent in liberal philosophy and there remains, as a holdover from the critiques made by the political right during the 1990s, an underlying suspicion of who voluntary organizations or interest groups really represent.

Representation is not the same as leadership, however. The diagonal slice approach used by the VSI intentionally included representatives of small organizations from rural or remote parts of the country, many of which were not engaged in policy work, nor had much of a relationship with the federal government at all. Their representatives thus had knowledge of the policy issues under discussion and little experience with the governmental policy process, and there were often frustrated by some of government's procedural rules. What this suggests is that, when the goal is to ensure that the full spectrum of perspectives from a community or sector are heard, a model that brings together individuals from a broad cross-section of that community or sector probably works well. If the goal is also to undertake serious policy work, then more consideration needs to be given to ensuring that the participants have the relevant experience and knowledge, ability to network with their constituencies and means of being accountable to them.

Policy Tools: So Many Choices, So Few Chosen

Salamon (2001) makes the case that one of the strengths of the new governance is the array of instruments or tools available for policy action. In terms of its outputs, the VSI certainly illustrates this point, using a wide variety of instruments that include: a framework agreement and codes of good practice; service contracts for a variety of projects; ongoing research; policy exchanges of staff between government and the sector; and continuing collaboration, among others. In terms of the overall accomplishment of its work, the range of instrument choice was illusory, however. It was here that the new met the old governance – where collaboration met contracting and its associated accountability regime.

As a result of New Public Management (Osborne, McLaughlin and Ferlie, 2002; Kettl, 2000), the defining trend in governing has become a preoccupation with accountability. It goes without question that whenever public money is being spent, whether to support collaboration itself or to fund third parties to undertake work as part of horizontal governance, accountability is required. The primary way to ensure accountability is through a contract (and what is known in Canada as a “contribution agreement” when applied to conditional transfers). Yet this tool of accountability is not particularly well suited to the needs of horizontal governance.

One of the goals of the VSI was to try to move a substantial amount of its funding into the sector as a means of capacity building by having voluntary organizations undertake work on behalf of the Initiative, rather than having the work and the money remain in government departments. This was done through a variety of contracts and contributions agreements covering a wide range of projects, including the voluntary sector's secretariat (VSIS) which was allocated a budget of just over \$1 million and was funded by a contribution agreement with a host voluntary organization. In 2000, as a result of a scandal over grants and contributions in the largest federal department, a very strict accountability regime had been imposed over service contracting and contributions (see Good, 2003b; Phillips and Levasseur, 2002). Deliverables and outcomes need to be specified in concrete terms at the proposal stage even in a collaborative process and there are highly standardized controls over project approval often involving several rounds of negotiations over details and often resulting in long delays in getting contribution agreements in place. Approval for the VSIS was no exception as it took almost ten months to be signed, during which time the work of the secretariat had to begin. So, the host voluntary organization had to take out a commercial line of credit to support it until the agreement was in place (Phillips, 2002).

What the contracting process does in the context of a collaboration is to set up dual types of relationships, injecting a top-down principal-agent relationship alongside a partnership premised on equality (Klijn, 2002: 161). It also shifts the locus of decision making and transforms the management process within government. Whereas collaboration moves decision making and interaction to the level of individual public servants, contracting centralizes this in the contracting authorities within government. While collaboration involves skills of negotiation, modulation and enablement, and entails a certain degree of discretion (Salamon, 2001), contracting is centred on control and compliance. Faced with this tension of management styles, it is a likely bet that control overtakes enablement because as it involves less risk for government.

The contracting process also introduces an element of competition among the voluntary sector participants, and, as Lowndes and Skelcher (1998) observe, it is often at the tendering stage that the level of trust between among voluntary agencies is the lowest as they try to take credit for past achievements, assert ownership over joint projects and potentially refuse to cooperate with each other. Contracting may also create an inner and

outer network, based on who wins project funding and who does not. From the accounts of many voluntary sector leaders, this is precisely what happened in the VSI. A relatively few organizations were awarded the larger contracts, not because there had been unfairness in the process, but because with limited capacity in the sector, there were few organizations that could actually do the work involved. As a result, many smaller organizations came to feel that the process was driven by and benefited the larger charities, an impression that has been hard to shake.¹¹

The final way in which government spending instruments do not match horizontal governance is that the budget for any initiative is established at the outset, allocated by fiscal year and department. If a collaborative process takes longer than expected at the front end to build trust relationships before getting on with its planned expenditures or if money needs to be moved between activities, actual spending needs may not match the original budget allocations very well. In public spending, there is only limited flexibility, however, in the ability to reprofile funding over fiscal years or across votes. A key challenge for horizontal governance will be to find greater means of flexibility in its spending instruments and budgeting process while not appearing to compromise accountability in any way. And, this will be a tough political sell in the current environment.

Horizontal Management in the Networked State

The fact of interdependence and collaboration between governments and non-governmental actors under the new governance usually implies the existence of big, complex issues that touch on the mandates of a number of government departments and agencies and that do not fit neatly in existing knowledge or institutional categories. One of the key elements then is the ability to manage the issue horizontally across government and this points to the importance of a top level steering and coordinating body that has political clout and action levers (Pollitt, 2003: 4). In this regard, the VSI illustrates both strengths and limits of horizontal management.

The VSI had the advantage of having its governmental secretariat housed in a central agency, the Privy Council Office (PCO) that commands the attention of ministers and of other departments. In effect, staff in PCO tend to get their telephone calls returned quickly by those in other parts of government and they have the political legitimacy necessary to

resolve hard choices among government departments. The central agency machinery in Canada is not currently configured particularly well to lead horizontal initiatives, however. First, the PCO has no authority or at least no tradition of holding program related funding. In the case of the VSI, while the main political responsibility and visibility were vested in PCO, the funding envelopes were held and managed by line departments. On the one hand, this provided incentives for a wide range of departments to participate actively, but on the other hand, it created more complexity than was perhaps necessary, and it seriously obscured financial transparency. In addition, as Bakvis and Juillet (2004) note, the PCO has little substantive policy strength which affects their ability to leverage departments on matters of substance and they tend to be transactional in their outlook, playing a challenge function with line departments that is not particularly forward looking.¹²

If horizontal governance is to be the new way of doing things, appropriate roles of coordination and leadership for the central agencies will need to be developed, or the political advantages of central agencies replicated in line departments. Experience to date suggests that *ad hoc*, interdepartmental committees and other informal mechanisms have not adequately met the challenges of horizontality and have not been able to effectively join up government (Pollitt, 2003). This is more than an issue of structure, however, as structural reforms will need to be accompanied by changes to process management that can deal more effectively with the complex and uncertain nature of decision making in a networked state (Canadian Centre for Management Development, 2001; Klijn, 2002 161-2). More than this, is the need to build and maintain political interest for horizontal initiatives – a challenge when no one minister owns or will get the credit for collective action, but shares the risk. This, too, takes a strategic process of management in which the political saliency of the issues is kept alive and in which there are key points at which ministers and deputy heads are involved in making decisions. Without such decision points, they are likely to disengage, creating few incentives for middle managers to stay connected in issues which touch upon but are not at the centre of their departmental mandates.

Networks: The Impact on and the Impact of Governance

“Governance is about managing networks” (Rhodes, 1996: 658). Although the governance model has gone a long way to advancing our thinking in public administration

and management about the implications of working through networks rather than hierarchies or markets, a number of key issues remain largely unexplored in the context of the voluntary sector as a governing partner. First, in the enthusiasm for differentiating networks from hierarchies or markets, the governance literature has devoted relatively little attention to distinguishing among types of networks, and considering what it takes to be an effective network as a governing partner.¹³ How would the voluntary sector be characterized as a network, and what strengths and limitations does it bring to governance? A second issue relates to the potential conflict between styles of managing networks. As Milward and Provan (2003) note, there are two implicit theories about how best to manage networks: through a principal-agent relationship inherent in competitive contracting which is the premise of NPM or through cooperation and collaboration which is the basis of a governance model. One challenge for the governance model is how to reconcile these two approaches when a project-based, rule-bound contracting model is superimposed over policy-related collaboration (Moulton and Anheier, 2001). Finally, while the governance literature has devoted considerable attention to the impact of network management on governments and policy outcomes, it is just beginning to consider the impact of governance on networks (see Klijn and Kooperjan, 2004). In particular, an ongoing concern for the voluntary sector is how to balance working on the inside as a partner with maintaining a policy voice as a representative of and advocate for its various constituencies. In most cases, the choice is not either/or as voluntary organizations and other political actors regularly work on both the inside and the outside (Katzenstein, 1998), but more systematic interdependence complicates choices of strategy.

So, what how did the particular nature of Canada's voluntary sector as a network shape the process of governance in the VSI and what impact did governance have on the network?

Canada's Voluntary Sector as a Network and the Impact of Governance

Networks can be characterized by their size, shape, capacity and stability. In terms of size, Canada's voluntary sector is estimated to number about 180,000 organizations, of which approximately 80,000 are registered charities (Government of Canada/Voluntary Sector, 2002: 2; cf Hall and Banting, 2000). Whether this could be considered a single

sector or network, or whether it is better described as a series of intersecting, and in some ways, quite separate and isolated networks is still debated. Historically and up until the mid 1990s, the sector was segregated vertically, operating largely as silos organized by service or program area (and with distinctive separation in Quebec from the rest of Canada). Since the 1990s, the sector has been struggling with both the politics of ‘recognition’ – the creation of identity and cohesion as a sector – and the ‘politics of redistribution’ – the securing of material resources in the face of significant cutbacks and rising demands.¹⁴ The creation of the VSR in 1995 greatly assisted in the politics of recognition by pushing to become self-named as the “voluntary” sector, by identifying cross-cutting policy issues that helped give organizations a sense of what they shared in common, and by establishing a locus of central integration around policy leadership and advocacy.¹⁵ The sector thus came to the VSI with an emerging collective identity, albeit still fledgling and fragile, and a degree of coherence as a sector, albeit loosely coupled, and a sense of energy about what could be accomplished through collaboration. By all accounts, this greatly aided the ability of the sector to participate actively. It was never, nor could such a diverse sector ever be a compact, truly integrated network, however. The main constraining factor was its limited capacity at both the network level where policy capacity was quite shallow (the VSR was a loose, unincorporated coalition with no staff of its own, and there were few other national intermediary organizations with extensive policy expertise) and at the organization level where discretionary resources were scarce. This suggests that in planning for how governments and networks will work together, both the character of the network as a whole and the strength or position of key organizations in it need to be considered.

How networks actually participate in governance depends to a large degree on the machinery of collaboration discussed earlier. When the model of representation is based on individuals, rather than on organizations, the advantages and capacities of a network to do what it does best – to network – may not be used fully. Nor does this enhance the longer term capacity of the network to become self-organizing and integrating. In the case of the VSI, participation in governance had both positive and negative effects on the network.

One positive effect was the short term increase in capacity of some voluntary organizations. With a budget of about \$65 million (Cdn) for the first two years, much of that to be flowed to the sector, the VSI injected significant amounts of project money into some

voluntary organizations, mainly the larger national organizations. The introduction of project funding – and the competitive contracting process associated with it – into a process of relationship building meant that many voluntary organizations experienced two quite different styles of management: a collaborative one in which they were partners and collectively responsible with their government partners for the results, and a principal-agent one in which they were accountable to their partners. The different dynamics of collaboration and contracting were never reconciled, but took place in parallel.

The competition for contracts served to reinforce both the politics of recognition and redistribution, turning the competition inward among the network players. Now the competition for recognition shifted away from the collective sector to individual organizations trying to demonstrate to government, as the contracting authority, why they should be awarded particular projects. The competition for resources also tended to reinforce differences between the larger organizations and the smaller ones which lacked the capacity to undertake most of the large projects being tendered. Competition for resources is not new to the voluntary sector and organizations have long been able to compete and collaborate at the same time. Although the VSI concentrated competition in a short time period and made the stakes bigger and more visible, the sector nevertheless could have withstood his round. What is perhaps more significant, however, is that the individualized competition, particularly for recognition, contributed to a loss of interest in and time for collective leadership. As the two years of collaboration came to an end in the fall of 2002, many of the key sector leaders were distracted from policy leadership because they were busy managing projects for their organizations or had been so consumed by the intensity of the two year period of joint work that they moved on to other things, staying in the voluntary sector, but not in policy leadership roles. To the extent that this creates space for new talent, it may be quite positive. To the extent that it has reduced the policy capacity of the sector in the short term, at the very time that it was most critically needed, it could be quite destructive.

Because it addressed a number of sector-wide policy issues, the VSI had to focus on the common good *and* recognize the diversity of the sector. Shining a light on the diversity was beneficial in one sense as it illustrated different needs and perspectives. It left an imprint on the larger mainstream organizations that the long term legitimacy of the sector

would require truly addressing the demands created by diversity, especially how minority communities participate in national organizations and how their organizations are connected to the sector as a whole. But, by highlighted differences the existence of a sector was perhaps more in question at the end of the process than it had been in the beginning.

A concern that has long been raised in the social movement literature is the risk that, as civil society organizations work more on the inside as partners in an interdependent manner, that they will lose their distinctive qualities and, in particular, will compromise their ability to be effective representatives of their constituencies and advocates for their interests outside of partnership arrangements (Deakin, 2002: 136; Laforest, 2002). Developing policy through the VSI created an opening as never before for the voluntary sector to be involved and have an impact. Ironically, many sector leaders feel that in the process of the VSI, the sector lost its policy voice. It is too simple, however, to say that the sector was co-opted. Rather, several things converged. By being so consumed with the operational aspects of collaboration, there was limited time to give much attention to policy or other matters. Although the voluntary sector leadership tried to use the collaboration as a channel for dealing with emerging policy issues, such as the negative impact of the accountability regime on voluntary organizations, they did not succeed in stretching the focus of discussions. They did not want to jeopardize the positive aspects of joint work, however, by stepping outside of it to raise issues more vocally to ministers or in a more public context. And, since a collaborative process was in place, ministers assumed or were advised that this mechanism was the place to deal with the contentious issues and thus did not meet separately with sector leaders as they had in the past. This produced the strange paradox that by being more on the inside, the voluntary sector was inadvertently more on the outside of the political process than ever.

In many respects, the voluntary sector has achieved a great deal through its involvement in the VSI: an Accord and codes of good practice for funding and policy dialogue are in place, some changes to the regulatory framework have been announced, projects have been undertaken for enhancing skills and human resources in the sector, research on the sector has been greatly expanded, and there is greater understanding within many parts of government about the sector. However, the voluntary sector *network* that emerged from this process was as starved as ever for resources and is in many respects less

stable than it went into the collaborative process. The two major national policy organizations have completed a merger (with one being more or less insolvent at the time), many of the former leaders are no longer in policy roles, new provincial and urban based coalitions are emerging, and the new coalition that replaced the VSR as planned has only short term funding so that the future of its role in policy leadership is uncertain. It should not be assumed then that participation in governance has unmitigated positive effects on networks.

Conclusion: Reconciliations on the Way to Governance

The point of this paper is not to contest the value or the viability of new governance as a model for governing in the 21st century. Indeed, interdependencies among networks, the availability of a greater range of policy instruments and greater coordination within government are likely to be the way toward more sustainable, legitimate governing. The experiments occurring in many countries, including Canada, to build more constructive relationships between governments and voluntary sectors are important developments in this direction. But, it would be myth to assume that horizontal governance is being practiced as conceived. There remain embedded in current modes of governing some significant contradictions and tensions between the old and the new – between what propelled NPM and what is essential for horizontal governance.

A system of project-based contracting and the preoccupation with accountability that surrounds it have not yet adjusted to the flexibility required and risk involved in relationship-based interdependency. Results-based management with its emphasis on system-wide controls and efficiency has not been adapted to joint processes that unfold and evolve at the direction of the partners, and in which outcomes and deliverables may not be able to specified with precision in advance. Current practices of sporadic consultation as the means to relationship building do not meet the needs of ongoing collaboration and interdependence inherent in the new governance. Rather, new machinery that opens political spaces for sustained dialogue and decision making among governing partners and that promotes learning across different networks still needs to be invented in many jurisdictions. This will entail designing mechanisms that can balance a

degree of institutionalization with the ability to be flexible and nimble. In addition, the tension between pursuing the common good and meeting the needs of diversity has not yet been squared (Deakin and Taylor, n.d.). Managers who are used to and rewarded for “managing up” and “managing down” (Savoie, 2003) have not yet been provided with appropriate incentives and rewards for “managing out” as well. The NPM focus on the customer has not fully reengaged the active citizen as an agent interested not only in receiving better services, but in co-producing them and in having a say in the policies that determine which services are to be provided in the first place. This means addressing the democratic deficit at the highest political level alongside adjusting administrative institutions and management practices.

There are significant challenges not only for the government partner, but for the voluntary sector as well. The sector needs to reinforce its social capital through inclusive, democratic practices that engage and promote the development of active citizens. At the same time, it needs to enrich its network capital that enables it to connect as a sector, reaching out to and connecting its diverse parts toward common governance goals. Finally, greater policy capacity will be essential if the sector is to be a governing partner rather than merely a co-producer of services, and this necessitates not only creating stronger policy leadership, but rejuvenating it on a regular basis. Finally, as social scientists, we need to better understand the role and impact of networks in governance, the implications of institutional design for collaborative processes and how to reconcile the differing logics of the competing systems of collaborating and contracting.

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Notes

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¹ Canada had adopted a version of NPM and undertook a series of public service and management reforms consistent with it, but these were not as radical as the reforms of the Next Steps program in the UK or the market-based reforms of Australia or New Zealand. Indeed, the idea of a distinctly “Canadian model” has been proposed by a former Clerk of the Privy Council and has been debated in the public administration community. See Good (2002a) and Lindquist (forthcoming).

² In the subsequent three years, the outstanding projects would be completed by either government departments or voluntary organizations under contract.

³ The meetings that were held across the country and hosted by local organizations were regarded to be quite effective in engaging voluntary organizations; web-based discussions attracted little attention.

⁴ In addition to the matters that were to be addressed in a joint manner, there were several separate and parallel activities. These included on the sector side, two Working Groups (on Advocacy and on Financing) and an Aboriginal and a Visible Minority Reference Group. On the government side, there was a Study on Funding, the development of a Satellite Account on the contribution of the sector to the economy as part of the national system of accounts at Statistics Canada and ongoing on reform of legislation governing federal incorporation of nonprofits.

⁵ The “definition of charity” refers to the guidelines for determining which organizations could be registered as charities by the Canada Revenue Agency and thus have access to the tax systems to provide receipts for donations. Canada uses a common law system in which there has been no codification in legislation regarding acceptable categories of organizations, and judicial review of the common law has been restricted due to the costs of taking action in a relatively high and costly court as the court of first instance. See Broder (2002); Drache and Boyle (1998). Regulatory reform also includes the issue of which institution should serve as the regulator and, in particular, whether Canada should adopt the model of a Charity Commission that is independent from the tax collection agency (see Drache and Hunter, 2000).

⁶ “Advocacy” is a code word for the sector to some extent. It refers most directly and concretely to relaxation of the regulation that registered charities can expend no more than 10 percent of their total resources (financial, human, physical and technical) on public policy advocacy. In a more symbol sense, it refers to recognition of the legitimate role of voluntary organizations in policy development. The first set of Joint Tables did recommend a process for implementation, however, which was to have a central, joint Steering Committee with various aspects of the work carried out by departments or voluntary organizations which would develop their own means of collaborating. This was not the model followed by the VSI which chose a much more elaborate, full-blown Joint Table model that became more complex as an exercise in horizontal management.

⁷ When the voluntary sector came to select its participants in the Joint Tables, it did so by an open nomination process in which people could indicate their areas of interest. Because advocacy and financing appeared so frequently, the sector established its own Working Groups on both of these topics.

⁸ The main criticism of the machinery was that it was too complex because it was so decentralized, and coordination was not managed as effectively, at least initially, as it needed to be.

⁹ No compensation, other than the cost of travel, was provided to participants or to their home organizations.

¹⁰ This was the approach used in the UK jurisdictions to develop the Compacts. In England, for instance, a Working Group comprised of the leading national umbrella organizations worked collectively, and designated the National Council of Voluntary Organizations as the lead to develop the Compact. See Kendall (2000) and Ross and Osborne (1999).

¹¹ Of course, representatives of most of these larger charities were also participants in the Joint Tables, as was appropriate. This created the potential for a conflict of interest which was handled reasonably well by the development of a policy and by ensuring that those organizations that were most likely to bid on particular kinds of projects were not members of the Table that would be developing those projects and deciding on contractors.

¹² The government chose to place the successor to the secretariat in a line department, although the sector strongly favoured keeping it in a central agency. Whether the small new departmental unit will be able to exercise the political clout and leadership necessary to keep the initiative alive and whether it can effectively coordinate the actions of other departments remains an open question. After deciding that a central agency was not an appropriate home for the administrative unit that would oversee completion of the VSI, two new secretariats, focusing on Urban Aboriginal affairs and promotion of a cities agenda were created in the same agency. But, these new secretariats face many of the same constraints as did the Voluntary Sector Task Force (see Bakvis and Juillet, 2004).

¹³ Milward and Provan (2003) address the question of what constitutes an effective network and style of network management in the context of service delivery, but under a new governance model, this analysis needs to be extended to address interdependencies around policy. The policy network literature (see Howlett, 2002) has focused more directly on policy and provided detailed and useful analysis of the nature of networks, but it could be more fully connected to work on a model of horizontal governance.

¹⁴ The notion of the politics of recognition and redistribution is borrowed from Fraser (1995).

¹⁵ In their analysis of the effectiveness of networks, Milward and Provan (2003) conclude that centralized integration and stability of the network are important factors (and that stability moderates the effects of resources). The importance of being self-naming is taken from the social movement literature See, for example, Jenson and Papillon (2002); Smith (1999).