



University of Western Australia  
Centre for Public Value



King's Business School  
2024 Outcomes-Based Contracts  
Workshop

# Mythical Realities: Challenging the Government/Nonprofit Nexus in Community Services Procurement

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# Our propositions...

- Proposition one:** the policy and program environment of the nonprofit human services sector has been veiled in myths that have distorted perceptions of its functioning, resources needs, and social and economic contributions
- Proposition two:** these long held perceptions have biased policymakers, governments and sector leaders to the detriment of sustainability in service provision
- Proposition three:** these biases have ensured procurement processes constrain the sector and reduce sustainability



## Myths

Myths establish unchallenged ideas and expectations of the sector  
*EG Not-for-profits should not make a profit*

## Cultural Biases

These myths inform biases that influence policy design and sector engagement  
*EG. Comprehensive costs not covered in pricing; improper indexation; limited capital raising, non-competitive wages, requirement to source top-up funding*

## Impact

These then translate to adverse impacts on the sector's capacity to deliver services  
*EG. Inability to reinvest in program improvements and working assets and attract and retain high quality workforce and leadership; limited innovation and business acumen; resulting in reduced sustainability, narrowing of service mix, unmet community demand, and reduced service quality*

Cause

Cause



- Nonprofits should not make a profit
- Nonprofits are inefficient and non-innovative
- The nonprofit sector is a fiscal sink
- Competition in 'markets' creates efficiency and effectiveness
- Nonprofits should not pay competitive salaries
- Nonprofits must learn from commerce
- The government does not have enough money to resource the sector properly
- All funds must be spent on programs

Sacrifice and selflessness must be the defining characteristics of the sector



# Unintended consequences...

- Under-resourcing → Inability to invest, innovate and analyse performance
- Quasi markets → Service failure and increased public cost
- Sustainability Reduction → Defensive decision making
- Lack of transparency → Derailing of service mix



# What does this mean...?

1. Demand v need: real analysis and evidence-based policy
2. Service mix targets (Industry Plan)
3. Transparency in outcomes reporting
4. Genuine collaboration between government and the sector



# An Australian experience...?

1. Poor government record keeping
2. Low transparency at the macro level
3. Ineffective analysis
4. Poor contracting processes...even where outcomes-based contracting is used
5. Poor resourcing outcomes



# Thank you!

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