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Understanding Government-Nonprofit Funding Agreements in Human Service Organizations Using Resource Dependence Theory and Organizational Legitimacy

Dr. Aaron Turpin - MacEwan University
Dr. Micheal Shier - University of Toronto

Government-nonprofit funding agreements are often laden with numerous funder-driven imperatives that dictate how financial resources are to be used within human service organizations. The following study adopts resource dependency theory and organizational legitimacy as a framework to better understand how nonprofits experience the acquisition and use of monies captured through government grants. Thirty-two leaders from Canadian nonprofit human service organizations were interviewed, and data from qualitative thematic analysis identified resource dependencies within funding eligibility criteria, funding distribution, and funding reporting mechanisms. Tenets of resource dependency theory and organizational legitimacy are then used to further enhance understanding of government-nonprofit funding agreements, including a discussion on the role of resource typologies, value diffusion, and interstructuring.

Keywords: Human service organizations; Government funding; Resource dependence theory; Nonprofits

Introduction

In their quest for sustainability, many human service organizations (HSOs) receive public funding in the form of government grants and contracts to carry out organizational activities (Coupet & Schehl, 2021), which are commonly combined with other revenue sources, such as private donations, earned income, and investment returns. Partnerships between government funders and nonprofit HSOs typically contain stipulations regarding the use of said monies within an overarching funding structure, all of which is considered as characterizing a "funding agreement" (Piatak & Pettijohn, 2021). However, increases in the overall number of nonprofits in Canada (Statistics Canada, 2024), combined with widespread resource cutbacks in the public sector (Bendaoud & Graefe, 2024), have contributed to a resource landscape that is characterized by tenuous and restrictive funding agreements (Lasby & Barr, 2021). Related research focusing on resource relationships is critical to supporting the delivery of impactful programs in nonprofit HSOs. This study aims to develop a better understanding of government-nonprofit HSO funding agreements using resource dependency theory (RDT) and organizational legitimacy, by answering the research question - *What are the characteristics of government-nonprofit funding*

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agreements with HSOs? An exploratory qualitative approach harnesses RDT and organizational legitimacy to better understand how nonprofit HSOs experience the development and implementation of funding agreements with government partners.

Literature Review

Government – Nonprofit Funding Agreements

Federal, provincial, and municipal state funding actors in Canada have long been found to shape the nonprofit sector through their funding agreements with HSOs (Clément, 2019; Malenfant et al., 2019). Increasingly nuanced methodological approaches have disentangled these agreements somewhat, although findings can be variable or discrepant. For example, although receiving government funding has been shown to improve the financial health (Thornton & Lecy, 2023) and operational capacity (Menezes & Peci, 2024; Lu & Zhao, 2019b; Yu et al., 2021) of HSOs, the characteristics of those funding agreements may negatively impact program development, administrative costs, and relationships between government and nonprofit organizations (Lee et al., 2023). Public funding is often stopped or interrupted unexpectedly for many reasons, causing changes to HSO human and administrative resources, while limiting spending and adversely impacting community groups through unplanned service cutbacks (Kim & Mason, 2020; Willems et al., 2022). It is also argued that government funders often place too much emphasis on accountability, leaving undue burden on the funding recipient to adhere to onerous monitoring and reporting requirements (Lee et al., 2023). It follows that governments are seen to prioritize HSO 'performance' in resourcing decisions (Coupet & Schehl, 2022), which leads funders to favor certain sectors and organizations that conform to ascribed output measures (Clément, 2022). This has been found to lead to inflexible HSO organizational structures (Kim & Mason, 2020), which may negatively affect an organization's ability to capture grant monies from other sources (Schatteman & Bingle, 2017).

Conversely, administrative burden has been found to wane once government funding reaches one to two thirds of a nonprofit's total operating budget (Lu & Zhao, 2019a). This may explain why Canadian governments are more likely to fund nonprofits with higher administrative budgets and favor previously selected nonprofits when awarding grants (Ben-Amar et al., 2023). Government funders have also been found to enhance administrative and media advocacy (Yanagi et al., 2021; Yu et al., 2021), although this relationship is strengthened when private donations increase (Bi et al., 2025). Supporting these findings, organizations with more formalized and professionalized structures are found to leverage more government funding (Seo, 2016), which may allow them to engage in broader advocacy efforts (Dong & Lu, 2021).

Resource Dependence Theory and Organizational Legitimacy

Resource dependence theory (RDT) adopts perspectives that seek to understand organizational behaviors within the context of resource procurement and the development of sustainable resource inflows (Pfeffer & Salancik, 1978). Resources can include any functional input an organization may need to achieve its goals (McCarthy & Zald, 1973), and are categorized as *moral* (support, validation, and external endorsement); *informational* (knowledge relevant to conducting services); *material* (money and other items needed to carry out services); and *human* (labor or leadership) resources (Cress & Snow, 1996). The crux of RDT examines interchanges between resource providers and resource recipients by accounting for the extent to which resources are controlled by specific actors, how these resources are distributed among an

organizational network, and how important specific resources are to supporting the outcomes of those organizations (Pfeffer & Salancik, 1978).

Within highly competitive resource environments, organizations vie for consistent and predictable resource inflows to enhance sustainability, and resource-yielding actors hold significant status and power as purveyors of organizational legitimacy through resource distribution (Benson, 1975). Organizational legitimacy is a branch of institutional theory and is defined by Maurer (1971) as "the process whereby an organization justifies to a peer or superordinate system its right to exist" (p. 361). This justification is endowed through resource provision, as well as the value of those resources upon the receiving organization (Pfeffer & Salancik, 1978). As such, organizational legitimacy embodies power in the form of control over resources and, by extension, other organizations, which is enacted through inter-organizational relationships (Benson, 1975). Within these inter-organizational resource relationships, actors with power (i.e., resource providers) can attempt to change the broader environment by forcing resource recipients to conform to specific norms and behaviors (DiMaggio & Powell, 1983; Nienhuser, 2008), which may result in a loss of autonomy for those resource-scarce organizations (Benson, 1975; Pfeffer & Salancik, 1978).

Though RDT and organizational legitimacy are longstanding theoretical frameworks in organizational studies, continued nonprofit research is needed to further develop the knowledge base. A handful of related studies have laid some groundwork for the use of RDT in funding relationships, revealing how HSOs seek financial sustainability through government funding (Ilyas et al., 2020) but are often challenged by unexpected changes in funding priorities brought on by government restructuring (Maya-Jariego et al., 2020). High resource dependency on government funding is also positively associated with organizational formalization (Seo, 2016) and an increase in organizational outputs (Berrett & Holliday, 2018) but negatively associated with fundraising and operational efficiencies (López de los Mozos, 2016). Where resource competition is enhanced, nonprofits have been found to experience frequent goal change (Seo, 2016), which can have a negative effect on overall social value creation (Seo, 2020). There exists little research examining the characteristics of funding agreements between government and nonprofit actors (Peng et al., 2020), and studies identifying principles upheld by the government that impact nonprofits are needed (Coupet & Schehl, 2022). Addressing this gap in knowledge, the current study operationalizes RDT and organizational legitimacy as a lens to understand government-nonprofit funding agreements through an analysis of qualitative data from HSO leaders.

Methods

Author Positionality

Author 1 is an Assistant Professor at a small urban university in Alberta, Canada. His background includes research and practice in nonprofit human services management across a range of community-based organizations, with a special interest in resource development and evaluation. As a multi-methods researcher, author 1 incorporates diverse methodological approaches borrowing from pragmatic and social constructivist traditions.

Author 2 is a Professor of social work with many years of experience researching social innovation and social entrepreneurship, partnership engagement and development, and resource development within the nonprofit human services sector. He has extensive experience in both

quantitative and qualitative methodologies and follows a pragmatic epistemological approach to knowledge development and understanding.

Sample and Recruitment

Respondents were identified using a sample frame from a previous quantitative study (Turpin & Shier, 2024) among those that identified a willingness to participate in a follow-up qualitative interview about (among other things) their engagement in resource development. This quantitative sample was compiled from a database of HSOs by province in Canada through a careful review of the Canada Revenue Agencies list of charitable nonprofits. HSOs are generally defined to be those organizations that provide some aspect of direct service to a service user group or to meet a social need. Organizations participating in this study engaged with diverse communities, including (but not limited to) those seeking mental health and substance use services, housing supports, youth wellness programming, disability services, newcomer services, employment services, and food insecurity programming (such as Food Banks). Executives and senior management of HSOs were chosen because they are commonly tasked with capturing revenue and liaising with government funders, allowing them to provide unique perspective on the characteristics and impact of those partnerships. Email scripts were developed explaining the purpose and aims of the study, including a description of the nature of participation (i.e. qualitative interview), and sent to 100 executive directors of HSOs in Canada with the expectation of generating a 25 to 30 percent response rate given previous research utilizing similar methods (for example, Turpin & Shier, 2023; Turpin et al., 2021). The corresponding sample size was deemed sufficient to reach theoretical saturation (Miles & Huberman, 1994).

Eligibility requirements for study participation were clearly articulated in the email (i.e., the respondent must be a senior management staff of a registered nonprofit receiving at least some portion of their revenue through government grants/contracts). Attached to the emails was a copy of the informed consent form, which included information regarding study parameters. Recipients were made aware of the voluntary nature of their participation, how authors would de-identify data by removing personal and professional information (such as title, names, and organization), and limitations to study withdrawal, which could not be facilitated after data was de-identified. Thirty-two respondents participated in an interview, at which point interviews were concluded due to theoretical saturation. In some cases, recipients of the email (Executive Directors) did not participate in the interview but recruited a senior management person who worked directly with funding activities.

Data Collection

A semi-structured interview guide was developed for the study, focusing on the characteristics of funding agreements between HSOs and government funders. Interview questions were designed to contribute to RDT and organizational legitimacy, focusing on how government funding agreements were enacted during different processes of the funding cycle. Due to the sensitive nature of the questions (i.e. respondents critiquing the processes and decisions of current funders), identifying organizational information was not collected per the request of study participants. Interviews were conducted by the first author and sought to identify specific behaviors, policies, and guidelines that were espoused within funding agreements. Respondents were asked to comment on how these processes impact organizational functioning, and how they respond to challenges and opportunities presented by government funding agreements. Main questions included: *What are some of the ways you engage with government funders to obtain resources?; What is involved in designing and submitting a funding proposal?; How would you describe your relationship with current/potential government funders?; What are some of the*

expectations that government funders have of your organization?; What are some of the requirements included in government funding agreements? How do government funding agreements impact the operation of your organization? Interviews were conducted virtually and lasted 30-45 minutes. Audio was recorded on a separate device and transcribed verbatim (removing identifying information).

Analysis

Data were analyzed following a thematic qualitative approach (Miles & Huberman, 1994; Creswell, 2018 utilizing constant comparison techniques (Goetz & Lecompte, 1984). The goal of thematic analysis is the identification of emergent 'themes' within the dataset that represent respondents' ideas, thoughts, and conceptualizations of a given topic (Glaser and Strauss, 1999. As such, data in this study were first organized into broad categories reflecting processes of interest in the development of funding agreements. The researchers (n=2) then independently arranged the same coded blocks of respondent data into key themes that qualified general categories by identifying specific factors reflecting resource dependence, including examples and cases where respondents encountered these factors in practice. This led to the development of several themes under each category that were crossed-referenced between both researchers to address discrepancies in the placement of data, theme development, and descriptions of themes. This process is referred to as 'constant comparison' and enhances the validity of study findings (Grinnell, 2001). Results from independent coding were compared until both researchers agreed on a single cohesive set of findings. This approach to the development of qualitative themes is considered to contribute to the overall trustworthiness of findings (Grinnell, 2001). Data analysis was supported by NVivo14 Software (2023).

Findings

Findings from the qualitative analysis were arranged into three main themes pertaining to salient aspects of government funding agreements as experienced by HSOs, including *funding eligibility, funding distribution*, and *funding reporting*. Each main theme included codes that describe processes contributing to resource dependence. Themes and codes are summarized in Table 1.

Table 1: List of themes and codes

Main Themes	Codes
Funding Eligibility Criteria	Articulating Community Needs Aligning with Funding Priorities Meeting Size and Experience Thresholds
Funding Distribution	Funding Scarcity Lack of Operational Supports Adhering to Funding Targets
Funding Reporting	Measuring Impact Meeting Pre-defined Funder Metrics

Funding Eligibility Criteria

The general theme *funding eligibility criteria* included three codes describing eligibility requirements for government grants, and how respondents experienced these criteria through the resource procurement phase. Codes included: *Articulating community needs, aligning with funding priorities,* and *meeting size and experience thresholds*. Each code is described in further detail, including examples from the dataset, below.

Articulating Community Needs: Respondents cited several examples of conforming to funder expectations by presenting community needs in specified ways. Commonly, HSOs were asked to demonstrate how their approach to service provision was evidence-based and data-driven. This was experienced by respondents in two main ways: Through the implementation of real-time primary data collection within an evaluation framework, and/or by integrating extant research in program planning and decision-making. However, respondents reported that funding dollars often do not cover ongoing monitoring and evaluation activities, making it difficult for organizations to resource the accountability procedures that were required for funding eligibility. One respondent stated:

> We do see difficulties around evaluation. There is all this expectation for prescribed outcomes, for common outcomes, without funding going to that…because donors, or the government, or the constituents of the government…they want to see the evidence of evaluation, and they want to see complex evaluations sometimes conducted without paying for them. (NP20)

For HSOs, the use of data and evidence legitimized community needs to government funders. This superseded less informal ways of knowing, such as practitioner wisdom or community advocacy. Paradoxically, HSOs were also commonly asked to identify how a given project addressed a 'gap' in services and encountered difficulties when seeking to articulate a known community need when data and evidence pertaining to the related issue did not exist. As such, adopting an evidence-based approach while meeting unaddressed community needs was often viewed as incongruent. The tension between data and community needs was articulated by the following respondent:

> We noticed a huge gap, but we can't just say "we think there is," there has to be research that says somewhere, somebody studied this population and identified that this is an issue. Well, basically, there is nothing out there…it's really one of the most vulnerable populations… Anyway, when we applied for the first time, they [government funder] turned us down, we had no evidence…We have no evidence because there actually isn't any evidence…you have to show evidence, but if there is none, then you're kind of, yeah. (NP01)

For the above respondent, there was a lack of alignment between funding requirements and government asks pertaining to how social issues were selected and addressed by HSOs. It was difficult to procure resources for community groups that had not received empirical attention, yet experienced high levels of marginalization.

Aligning with Funding Priorities: Respondents discussed the implication of narrow or stringent funding priorities as particularly problematic when seeking eligibility for government grants. In several cases, criteria for government grants were found to be exceedingly specific, especially in relation to the types of programs and corresponding social issues that are identified by funders as

key targets. There was a perceived inflexibility to considering HSOs that may operate outside of pre-selected mandates, which was exacerbated by a funding environment that tended to change or shift priorities often and without warning. Respondents commented that they were not confident about ongoing eligibility when government granting programs were prone to abandon existing criteria to pursue new directions. One respondent commented that "…when you get government funding, you are at the besiege of whoever is in power at the time, and governments change, people in those roles change…or the philosophy changes, and you're cut off" (NP17).

In response to an unpredictable funding environment, some respondents discussed strategies to change their programs in a way that better fit funding criteria. There was a tendency for HSOs to seek funding with any government program, regardless of fit or alignment, due to the precarious nature of funding availability. As noted by one respondent:

> You've got to…grab whatever you can get…because nobody is going to help you…and you also have to be a bit of a consummate buffet eater, you've got to go up to the trough and just shove everything in, and just hope something gets in your belly. (NP31)

Related data illustrated how HSOs may bend their own strategic initiatives to benefit funding eligibility, although not all HSOs were found to engage in this practice. One respondent outlined their tenacity when advocating for more appropriate funding guidelines: "We didn't fit in. At one point I had a senior bureaucrat tell me we didn't 'fit into any of our boxes.' And I said 'make us fit. Let's find a new box.'" (NP18). However, instances of challenging government funding approaches were rare in the data, and more commonly, respondents were prone to engage in organizational change to better align with potential granting opportunities.

Meeting Size and Experience Thresholds: Government funders were perceived by respondents as carrying significant biases toward selecting organizations with specific attributes regarding size, experience, and financial viability. This was operationalized through granting programs in several ways. Most funding applications were found to include minimum ask requirements that limited applicants from pursuing small projects. According to one respondent:

> …they [government funder] have become incredibly unforgiving. The most minor technical error will disqualify people. So, for instance, I've been in some meetings where a very small agency will ask for $25,000 for a good project, but [government funder] says 'your minimum ask is $30,000. You're technically disqualified.' (NP13)

Minimum ask requirements were also perceived to favor larger organizations with more resources and greater financial viability. Respondents noted that without some previous project experience and financial resource procurement, smaller organizations would be deemed high risk investments for the government and therefore were not considered as serious candidates. However, smaller organizations found it difficult to gain the requisite funding experience without being eligible for said grants. As one respondent discussed: "…previous experience running a project like this…something that shows that you have done this before… It's very, very tough to get money if you have no experience. This is kind of a catch-22" (NP10). Similarly, applications were found to be onerous and requiring resources that were not obtainable to smaller organizations. Committing critical and limited organizational assets to developing a complicated grant proposal without the guarantee of success was a difficult task for small organizations. Respondents commented on ethical concerns related to maneuvering key resources away from frontline services to pursue government funding:

> …they [government funder] really need it customized, which takes an enormous amount of time, and never knowing for sure if you'll ever see a penny. So, you invest… thirty hours into writing something, when you have no idea if you're ever going to see that money back. So, I just have my staff dedicate 30 hours that could have been supporting 30 families, for the chance [of getting funding], like a lottery…I don't love that gamble. (NP03)

Like this respondent, the risk associated with completing onerous funding applications was difficult to manage for those in smaller organizations. Without dedicated grant writers or funding staff, creating a proposal usually entailed temporarily shifting resources away from service delivery, and several respondents could not reconcile or justify this action.

Funding Distribution

Examples of resource dependency were provided by respondents within the domain of *funding distribution*. Specifically, respondents cited challenges related to *funding scarcity*, a *lack of operational supports*, and *adhering to funding targets*. Below, codes provide further explication.

Funding Scarcity: Respondents commented on the scarceness of available government funding opportunities and subsequent competition for limited funding. As one respondent articulated: "The funding coming from the government is never enough. We have to fundraise about 40,000 to 50,000 dollars a year to complement it, and now that we have grown, it's far from enough" (NP10). With too few grants and growth in the amount of organizations vying for the same funds, respondents found it difficult to generate sustainable resource inflows and support organizational stability. Managing service delivery while continually searching for new funding streams was found to styme organizational growth as leadership became preoccupied with addressing short-term resourcing needs. Limited spending windows and a lack of multi-year funding were identified as contributing to ongoing resource crises that preoccupied HSO management. One respondent stated: "…the system keeps… organizations with just enough money to just do the work and kind of tire themselves out, but not enough money to thrive, and not so little money that they're not able to do anything…" (NP05). This was a familiar position for respondents, who provided similar comments regarding the insufficiency of government funds and subsequent operational consequences.

Lack of Operational Supports: There was agreement within the sample that, as stated by one respondent, "…typically governments do not fund nonprofit operating costs, and it's difficult getting that" (NP06). Obtaining unrestricted monies with government funders was cited as rare, and most grants were found to be limited to frontline service delivery. Respondents discussed the critical need for resources providing salary support for managerial positions, developing staff training, and facility development. The inability to procure sufficient funds for indirect service needs often stymied organizational growth and hindered respondents' ability to support program sustainability. Neglecting structural needs would then lead to concessions that hindered healthy operation of the organization. One respondent offered an example:

> In the funding that we have from [ministry-x], there's only support for 1.5 staff, and that's me, and I cut my own salary as the executive director because I saw that the two salaries would consume 90% of the funding, and the 10% that was left was to pay the bills, like the rent or phone, etc. etc. No, it's not possible. (NP12)

Government funders were perceived as myopic in their resourcing philosophies by adopting an approach that solely focused on direct program investment and generating specific outputs for community members. Sometimes this handcuffed respondents' ability to make programming

decisions by reducing the flexibility in how funding dollars were spent. The specificity of spending requirements prevented an organization from being nimble or adjusting to the changing needs of the community. One respondent commented: "[government] funders… [funds] can only be used for the clinician for this one program, but it has to be online only. So, there's…like a hyper focus of where the money is going to go…" (NP30). This case presents an example of limiting funds to a specific organizational domain and service modality. Even when minor changes to the program were needed, restricted funding (such as the above) would not have the requisite flexibility to ensure spending requirements were adhered to.

Adhering to Funding Targets: Pre-defined funding targets were often perceived as serving government requirements over community needs. Respondents discussed how government funders were increasingly worried about avoiding 'overlap' in their portfolios, which occurred when multiple branches support the same program, or fund several organizations that are perceived as overly similar in how they address a specific social issue. Consequently, organizations were forced to differentiate programs in a way that may not be as effective to capture or maintain funding dollars. One respondent commented: "It's very purposeful because none of the work is overlapped or duplicated…every department has very specific mandates…very focused on a specific service" (NP03). This limited the amount of funding that could be received, while existing amounts were often insufficient to support the full operation of a program.

Adhering to funding targets was difficult for respondents when areas of focus were incongruent with the lived realities of community members. As one respondent discussed: "The tools probably would work and make sense, but they don't reflect, I would argue, the actual conditions we're faced with, and we're not funded to address those conditions" (NP06). This became problematic for respondents when faced with situations requiring a response that may fall outside of funding parameters. One respondent provided an example of a mismatch between spending targets and a community need:

> …whenever I come into a situation where a [service user] doesn't fall nicely into a category…I get my hand slapped by the ministry…'You can't go into that community.' If I was just funded by [ministry-x], for example…you're a lot more restricted with what you can do. (NP07)

In this case, a spending target outlining which community members can and cannot receive a service creates a barrier to access for some. The respondent described how they use multiple funding sources to navigate the issue; alone, government funds would be insufficient to provide services for everyone who needs them due to spending restrictions.

Funding Reporting

Two codes, including *measuring impact* and *meeting pre-defined metrics*, describe how respondents encountered resource dependence when engaging in funding contracts with government bodies. This section will outline how each was operationalized within human service organizations.

Measuring Impact: Respondents found government funders placed emphasis on articulating the impact of services in a variety of ways. Funders were found to ask for multiple types (qualitative and quantitative) of data to demonstrate service provision, which were burdensome to organizations that had limited capacity for enhanced service data collection. Data were used to evidence how organizations adhered to spending requirements and addressed specific funder targets. Some funders had several indicators they required that ranged from basic service use to

more sophisticated outcomes. Respondents provided several examples of onerous reporting requirements, such as: "We have to be able to show how concretely…these are the dollars that we save the government…So we had to start studying and documenting it…we had to be able to be quantitative and qualitative [researchers] for the government" (NP20). Specifically, respondents reported on how government funders emphasized the importance of collecting qualitative stories from service users in an effort to articulate impact. This was sometimes identified as problematic for respondents that worried about ethical concerns related to the collection and use of service user stories by government bodies. Further, if organizations were unable to provide service user stories, there could be funding cutbacks, as mentioned by one respondent:

> …[service users] used to be so resistant, but…If we don't tell a story of what we're doing, then there's, government funders…they want the story versus the data. If they're not seeing what we do, it leads to a reduction of funding, a reduction of staff. (NP16)

Related concerns about the collection and use of data often hindered respondents' ability to fully conform with funder accountability requirements and would lead to a discontinuation of funding.

Meeting Pre-defined Funder Metrics: Beyond articulating outcomes through data collection, government funders could be specific about the quantitative tools and measures that were to be used during this process. There were several common aspects of service delivery that respondents reported as important to government funders, such as providing proof of program sustainability beyond a given funding period. This was sometimes perceived as paradoxical by respondents, who relied on government funding to keep a program functioning. One respondent commented:

> …one of the keys is to provide [government funder] with a sense of sustainability, that this isn't just a one-shot idea, that we will find a way to have supports…. But they want to see some form of sustainability, that they're not going to pour $50,000 or $100,000 into a project that's going to be folded up in three or four years. And I know everybody says 'Oh, I want to see proof of sustainability,' especially [name of government funder] …but it's a challenge to show it. (NP11)

Compounding the challenges associated with evidencing sustainability, respondents found some government funders to require a burdensome amount of pre-defied metrics, without the requisite supports. The implementation of a complex evaluation plan was commonly cited by respondents as a funding requirement that became onerous and usurped important organizational resources. Overemphasizing evaluation activities was found to distract from more important community service work, and often veered from what respondents perceived as core to their organization. This was articulated by one respondent:

> …this is not necessarily about the social service delivery and strengthening the community, it's about…hitting the metrics with less of an emphasis on recognizing the barriers to the clients we serve. It's like 'get them in, get them out'…Well, cool, but that's not working. (NP19)

When evaluation and reporting requirements increased, respondents reported associated challenges with meeting lofty expectations of government funders and inhibiting organizational functioning to provide pre-defined metrics.

Discussion

The current study addressed a gap in resource dependency theory (RDT) and organizational legitimacy by focusing on the characteristics of government-nonprofit human service funding agreements. Using findings from a qualitative analysis of one-to-one interviews with nonprofit leaders, these theoretical frameworks can be applied to develop a novel understanding of how the distribution of funding dollars is tied to broader resourcing practices. To start, the category of resources defined by RDT can be examined in this study. For instance, while funding dollars may traditionally be defined as having exclusively material properties (McCarthy & Zald, 1973), respondents also attached several key attributes pertaining to moralistic (for example, the validation of social issues through funding), informational (for example, through control of programming decisions), and human (for example, the need for specified skills to complete reporting requirements) resource types. Whereas these categories have been treated as mutually exclusive in the past (for example, Berrett & Holliday, 2018; Seo, 2016), data from this study highlight the overlap between each as funding becomes distributed and operationalized in HSO programming. This is because respondents were keen to attach value to funding beyond its material use as a vehicle to support program development and delivery. Funding agreements communicated meanings that were often a diffusion of the resource provider's (government) values. This is referred to in RDT as 'interstructuring' (Allport, 1962), and it could be witnessed within the sample when respondents emphasized specific parameters related to resource use, such as accountability, sustainability, and impact.

Most respondents referred to government funding as important to supporting an organization's ability to deliver services. However, this funding was not perceived as promoting long-term program sustainability due to the tenuous nature of government-nonprofit funding agreements, and respondents often doubted whether government monies would continue to be a primary driver of social outcomes in their organization. For example, the sufficiency of government funds was questioned, there were gaps identified in how funding was to be used, and spending periods were cited as becoming increasingly smaller. RDT measures the importance of a resource by how much it can be accounted for in organizational outcomes (Pfeffer & Salancik, 1978), and assigns higher value to predictable, consistent resource inflows that support organizational sustainability (Benson, 1975). Study data was saturated by accounts of government funding agreements that did not support these goals, suggesting that associated funds may be valued less than other, less restrictive financing options. Still, government grants were highly sought after, perhaps due to non-monetary benefits that are endowed on HSOs when funded by public institutions, such as increased legitimacy within the broader human service organizational sector.

According to organizational legitimacy theory, funding priorities are understood as reflections of wider policy imperatives, which often have public support (Helm & Andersson, 2010). However, these priorities may not always be aligned with community needs. Nonprofits in this study were found to be caught in the middle, requiring supports from government while balancing funding priorities with designing and implementing impactful programming. In pursuit of government funds and the legitimacy they may offer, some respondents recounted shifts in their social missions to better conform to funding requirements. When organizations change their activities to better align with resource providers, both RDT and organizational legitimacy posit that the process communicates "meanings" (Friedland & Robertson, 1990) across a network of organizations about dominant values and attitudes. Communicated meanings can entail which services are valued highest, who should be providing those services, and by what means (Benson, 1975). The current study sample identified several communicated meanings, including efficiency, accountability, and evidence-based programming. Organizations which fail to adhere, or meaningfully incorporate a resource providing organization's communicated meanings, may risk the loss of resources and identity. This was also upheld in the data when respondents commented on tensions when government funding processes were overburdensome and misaligned with

organizational capacity. In these cases, nonprofits must assess the value acquired in resource exchanges by examining the costs and gains associated with government funding agreements.
As previously stated, an RDT approach understands that control of resources begets a control over other resource-constrained organizations (Senge, 1990). This was exhibited in several ways through government-nonprofit funding agreements, including unilateral government decisions of the amount of funding dollars distributed, dictating ways in which funding money was to be spent, and how the impact of funding was to be articulated (for example, through coopting client stories and pre-defined quantitative measures). Consequently, some loss of autonomy was found in nonprofits by restricting ways in which services were delivered, the social issues addressed (and not addressed), and how funding programs were structured. Respondents also experienced a loss of ability to implement new and innovative programs using restrictive government funds in lieu of compliance to funding requirements, such as illustrating an evidence base and providing proof of sustainability.

While RDT and organizational legitimacy offer insight about structural factors influencing resource distribution within tightly-bound organizational networks (such as HSOs), it can also lend some understanding of the way in which resource receiving actors may successfully navigate this environment (Scott & Meyer, 1983). Recent research has supported revenue diversification as a strategy for protecting organizational autonomy in nonprofits (Berrett & Holliday, 2018; Peng et al., 2020), including the integration of multiple revenue streams, such as fundraising efforts, foundation grants, and/or earned revenue activities. Revenue diversification may be a new path toward establishing organizational legitimacy, in that nonprofits engaging in multiple resource procurement streams may be perceived as highly legitimate within their networks. However, this area of scholarly focus is underdeveloped, and the topic lacks an established epistemology (Hung et al., 2024), resulting in conflicting discourses about key factors that establish legitimacy within this field. A limitation to RDT and organizational legitimacy is their inability to produce widely recognized processes of legitimation in areas that are poorly understood (Kuhn, 1962). This might pose a barrier in fully understanding the impact of revenue diversification on organizational legitimation in nonprofits and should be dually considered within this context.

Lastly, it is important to acknowledge the role of HSO autonomy within the context of funding distribution. While RDT and organizational legitimacy tend to dilute the resource provision process as strictly linear (Senge, 1990), where resource-rich actors download funding unto those organizations in need (thereby diffusing normative values and behaviors), this process was often mired by study respondents who challenged patterns of funding that were perceived as problematic. In pursuant to their social mission, leaders of HSOs noted several government funding approaches that were incongruent with community needs. RDT and organizational legitimacy may not have the requisite theoretical flexibility to capture how such tensions may cause upstream change in the funder-recipient relationship. Contrary to the private sector, where profit maximization is a primary goal, nonprofit HSOs (and their funders) are shared stakeholders in more complex social outcomes that exist at the community level. HSOs may therefore have more authority over resource distribution, given they are formal representatives of community groups. This may manifest as advocacy activities, community organizing, policy development, or other related work. RDT and organizational legitimacy must make room for the bidirectional nature of funding agreements in the nonprofit sector if it is to be adopted as a fully legitimate theory explaining HSOs.

The current study has limitations that are important to consider when applying findings. The dataset was purely qualitative, and therefore it is not possible to extract inferential insights. Although the sample size was relatively strong, it may not be completely representative of the Canadian or international nonprofit sector. Due to confidentiality limitations, the authors did not

collect descriptive data from respondents, and it was not possible to make comparative determinations about sample-population representation. The diversity of nonprofits in mission and structure may contribute some heterogeneity in how RDT is manifested. For example, issues related to government-nonprofit funding agreements may differ across HSOs that have charitable status or are registered cooperatives. This is not accounted for in the study analysis. Finally, the theoretical framework used to analyze data also has limitations in its scope. For example, RDT often neglects institutional processes that may also influence resourcing within organizations, such as the development of social controls through the infusion of norms and rules that influence behaviors of organizational members. These factors may also be important to the development of government-nonprofit funding agreements.

Conclusion

Resource dependence theory (RDT) and organizational legitimacy are longstanding conceptual frameworks that have traditionally been used to explain resourcing behaviors of organizations. However, they have not been given due attention in the nonprofit sector, particularly within the context of government-nonprofit funding agreements. Addressing this gap, the current study analyzed interview data from 32 leaders of nonprofit organizations receiving government funding in Canada using RDT to generate an understanding of how funding agreements may have contributed to resource dependence. Findings pertaining to *funding eligibility criteria, funding distribution,* and *funding reporting*, described how respondents encountered challenges regarding resource distribution and experienced resource dependency with government funders. Future research should focus on expanding the scope of RDT and organizational legitimacy by applying it to different aspects of financial resource acquisition in nonprofits, while accounting for ways in which resource receiving organizations may influence the development of funding imperatives in their approach to funding agreements.

Disclosure Statement

The authors declare that there are no conflicts of interest that relate to the research, authorship, or publication of this article.

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Author Biographies

Dr. Aaron Turpin – Dr. Aaron Turpin is an Assistant Professor in the Human Services Administration program at MacEwan University.

Dr. Micheal Shier – Dr. Micheal Shier is a Professor and Associate Dean, Academic, at the Factor-Inwentash Faculty of Social Work, University of Toronto, and holds a Canada Research Chair in Social Innovation and Social Entrepreneurship in the Human Services.