How cultural theory can help us to better design and implement social impact bonds

*Social impact bonds – arrangements that bring together the public, private and voluntary sectors in order to address complex social issues – are often characterised by tensions. **Ruth Dixon** explains how cultural theory can be used to explain the dynamics between the various partners in order to improve this useful policy tool.*

During a [recent conference](#) on outcomes-based commissioning and social impact bonds, I noticed some positive examples, as well as some tensions that can arise in such arrangements. Tensions, for example, between:

- rigorous performance management vs a collaborative, cooperative approach;
- a user-focused, flexible attitude vs working to pre-determined outcomes targets;
- a short-term focus on cashable savings vs an innovative, preventive outlook.

Alec Fraser and colleagues from the [Policy Innovation Research Unit](#) have already pointed out the potential tensions arising from competing public and private organisational values. Here I explore how fundamental differences of outlook between the different stakeholders can go some way towards explaining such tensions.

What is cultural theory and why is it relevant?

In the 1970s and '80s, the anthropologist Mary Douglas carried out a comprehensive characterisation of 'worldviews', known as the *Cultural Theory of Risk*. She identified four distinct worldviews based on the dimensions of 'group' and 'grid.' 'Group' describes the cohesiveness of a society or organisation; 'high-group' is tightly knit and cooperative, while 'low-group' is less trusting and more individualistic. 'Grid' describes the extent to which the organisation is based on rules: 'high-grid' is based on rigid rules while 'low-grid' has norms or conventions that are more flexible and negotiable. The combination of grid and group dimensions leads to the four distinct types shown in Table 1.

'Group' (i.e. level of trust) ↓	'Grid' (i.e. strictness of rules) → High	Low
High	*Hierarchist* Socially cohesive approach based on rigid rules	*Egalitarian* Cooperative structure with negotiated and flexible rules
Low	*Fatalist* Low-trust, rule-based approach	*Individualist* Low-trust 'market' approach stressing negotiation and bargaining

Douglas argued that societal groups tend to polarise into one of these four types rather than converging on the middle ground. This is because each type defines itself by the perceived risk of adopting other worldviews. These ideas were extended by other scholars such as Thompson and co-authors in their book *Cultural Theory* that was published in 1990, and others have applied it to [environmental risk](#) and [public participation](#). Christopher Hood also discusses the potential benefits and pitfalls experienced by public organisations that embody these cultural types in his book *The Art of the State: Culture, rhetoric, and public management*.

Considering different stakeholders

So how might cultural theory apply to the stakeholders involved in social impact bonds (SIBs)? Social Finance argue that SIBs align the "interests of non-profit service providers, private investors, and governments" to address complex social issues and improve the life chances of disadvantaged citizens. But what if the partners to a SIB contract do not share a world view? Can their interests be easily aligned? To put this in more concrete form, we can consider the typical worldviews of the various SIB stakeholders. The following discussion is certainly an oversimplification but serves to illustrate the potential issues.

Credit: **Department for Digital, Culture, Media & Sport**

The commissioner

Consider first the commissioner, normally a central or local government organisation. Budgetary pressures and rigid procurement rules, often combined with rapid turnover of post-holders, tend to make such organisations more comfortable with a **hierarchical**, rule-based structure and uncomfortable with lots of flexibility and re-negotiation. Such preferences are not easily overturned despite the rhetoric of cooperation and collaboration. The 'SIB team' within the organisation may be convinced of the advantages of collaboration but can find it difficult to change the outlook of other parts of the organisation.

The service provider

The service-provider, in contrast, is typically a non-profit organisation from the voluntary, charitable or social enterprise (VCSE) sector. SIBs are intended to enable more of these smaller – often local –organisations to provide public services rather than the traditional large outsourcing companies. However, the 'worldview' of VCSE organisations is likely to be more **egalitarian** and less rule-based and hierarchical than that of the government commissioner (or of large private contractors). Evaluations often highlight the tensions caused by the performance management regime that the SIB structure imposes on service providers. Furthermore, the provider may be more inclined to tailor their service to the client's perceived needs than to the outcomes pre-determined by the commissioner.

The investor or intermediary

What about the investor (and/or the investor-linked intermediary)? The SIB rationale is that the investor pays for service provision and is reimbursed by the commissioner when outcomes are achieved. If the investor represents the private sector (though it should be noted that this is not always the case), we would expect their world view to be essentially **individualistic** (low-grid, low-group). The investor is meant to bring 'market discipline' to the contract, supporting the service provider to achieve payable outcomes. And, like the service provider, the investor may wish to renegotiate the outcomes with the commissioner if they are found to be unachievable or inappropriate.

Thus, we find in the contracting parties at least the possibility of three contrasting worldviews (hierarchical, egalitarian, and individualistic). Perhaps it is not surprising that the process of setting up a SIB is often characterised by a prolonged negotiation period and that the development of trust between contracting parties takes a great deal of time and effort.

The front line worker

So far I have not mentioned the fourth quadrant of the table. This is the '**fatalistic**' (low-group, high-grid) world view, where rules are fixed but trust and cooperation are low. Occupants of this quadrant are powerless to alter the rules for which they are held to account, thus they tend to view the world as arbitrary and unfair. Here, it might be argued that we could find clients and (in some cases) front-line workers of SIBs. The whole success of the SIB depends on the outcomes such as jobs, qualifications, and reductions in anti-social behaviour that are achieved by the clients through their own efforts and those of the front-line staff, yet these stakeholders often have little influence at the design stage. The target outcomes tend to be set by the government commissioner and contract negotiations normally take place at a high managerial level. If the input of operational staff is not sought until a later stage, they may be faced with a *fait accompli*– things have already been decided – and expected to make the arrangement work anyway. And clients who do not value the same outcomes as the commissioner are less likely engage with the programme.

Of course, the previous paragraph paints a very pessimistic picture, highlighting the dysfunctional aspects of fatalism that *could* arise. Qualitative SIB evaluations in fact often report positive experiences of both clients and staff showing that fatalism is not inevitable or even usual. For example, the **final report** for the HMP Peterborough SIB shows that a personal 'risk and needs assessment' was undertaken for each enrolled prisoner resulting in a more responsive, flexible, and individualised service. Nonetheless, other SIB evaluations point to difficulties encountered by front-line staff being held accountable without the power to adjust or negotiate the rules of engagement even if those rules were found to be inappropriate or irrelevant in practice. Thus stakeholders who might wish to be egalitarian could find themselves pushed towards fatalism by the inflexibility of the partnership structure.

Can cultural theory help us to better design and implement SIBs?

So how does the cultural theory framework help us to understand existing SIBs and to better design and implement new ones? In my view, this framework highlights the fact that *cooperation is* difficult, particularly between organisations with different traditions and outlooks. Organisational culture is difficult to alter, at least in the short term, and the interests of stakeholders with different worldviews are difficult to align.

Nevertheless, there are huge potential advantages of bringing together organisations with different outlooks both in order to benefit from the insights and expertise that each can provide and to overcome the inherent disadvantages of each cultural type. By recognising and accommodating these culture clashes, SIB partners may be able to work together more effectively to address intractable public service challenges.

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Note: a version of this article first published on the Blavatnik School's GO Lab blog and is reposted here with thanks.

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