

An Evaluation of the impact of the Competitive Pressures of New Public Management on the Voluntary sector organisations' effectiveness.

Keefa Kiwanuka
Research Associate, DBA
Faculty of Business & Law
Kingston University
2 Jarrow Road
Chadwell Heath
Romford, United Kingdom
RM6 5RH
Tel. 020 8 262 8732 or Mobile 07950 915 717
Email: keefa.kiwanuka@gmail.com

Summary

This paper, as part of a bigger study, has taken on and challenged the market driven notion that the efficiency of markets and the value of competition, assumptions of new public management, should underpin the strategy for improving voluntary sector effectiveness and the delivery of public services. The paper aims to contribute to theory and practice by extending knowledge on organisational adaptation beyond the private sector into the voluntary sector. It takes on and examines the impact of the competitive pressures of new public management, based on competition and contractual funding, on four major UK voluntary sector organisations. Through a detailed and longitudinal case study of these organisations, this research examines how the change in the nature of funding has impacted on the goals and missions, resource mobilisation, governance, workforce management and organisational values of these voluntary organisations. This study has found significant impact of the competitive pressures of new public management on the core traditional values and ethos of the voluntary sector. However, this study has found no direct bearing between the impact of the competitive pressures of new public management and the longevity of the organisation. The impact on organisational values seemed to be proportionate to the dependency on resources from the environment, were an organisation had to mimic the normatively sanctioned values of the institutional framework, in order to ensure organisational survival.

1 Introduction

There is a growing body of literature purporting that voluntary sector organizations must adapt the best practices of the private sector business world, in order to more effectively compete and survive in relation to delivery of public services (Alexander, J 1999; Eikenberry and Kluver, 2004; Kettl, 1997; Terry, 1998; Alexander, 2000). Based on the assumptions of new public management, such management models emphasize customer focus (Cairns, et. al., 2005; Barman, 2007), competition, entrepreneurial management, efficiency (cost management), flexibility (assuring adaptation to change), innovation (striving for improvements in products and services), and above all a disciplined focus on the financial bottom line, which is the private sector's *raison d'être* (Deming, 1986; Pollitt, 1990; Cairns, et. al., 2005).

However, the voluntary sector organisations have their own distinguishing characteristics (Leat, 1995). It is because of these features, summarised in Table One hereunder, that the voluntary sector is seen as an alternative provider of choice in the delivery of public services. However, to survive the fierce competition, voluntary sector organisations must successfully compete against the private and public sector providers for contracts and therefore must adopt the private sector practices.

Insert Table 1 Here

Therefore, as a result of the above paradoxes, the changing landscape raises fundamental questions about the impact of the competitive strategies that the voluntary sector organisations may adapt in order to survive. Fundamentally, what would be the transformational effect of new public management on the perceived voluntary sector organisational effectiveness? How would that transform the voluntary sector organisation's goals and mission, fundraising, governance, workforce management and organisational values?

There is a lack of empirical research on how voluntary sector organisations have responded in terms of their adaption to a changing external environment and policy context (Bendell, Boutler and Goodstadt, 1998; Paton, 2000; Chew, 2006; Chew and Osborne, 2009). As a result, clear conceptual framework and empirical studies to guide research and inform voluntary sector management policy and practice are lacking. Therefore, it is not much that is known about the inner intricacies of voluntary sector organizations, experiencing drastic competitive pressures and having to adapt to ensure organizational survival.

This paper, therefore, as part of a bigger study, has taken on and challenged the market driven notion that the efficiency of markets and the value of competition, assumptions of new public management, should underpin the strategy for improving voluntary sector effectiveness and the delivery of public services. The paper aims to contribute to theory and practice by extending knowledge on organisational adaptation beyond the private sector to voluntary sector organisations and to offer guidance to voluntary sector managers planning adaption to ensure organisational survival.

Using the neo institutional and the resource dependence theories, the study predicted possible organisational behaviours under such pressures and developed five testable propositions based on the key institutional differences between the voluntary and the private sectors.

2 Impact on Goals and Mission

According to the neoclassical competition theory, private organisations primarily exist to maximise profits (Langlors, 1986; Walsh, 1995). Therefore, their goals and missions, fundraising, governance, workforce management and organisational values, are aligned to searching for a competitive advantage and maximising wealth for the shareholders (Eldenburg et al, 2001). However, voluntary sector organisations principally exist with advocacy or social value based missions to meet the unmet needs as a result of the inadequacies of the public sector provisions. They are born out of failure of public sector provision to meeting needs of often the marginalised communities (Hall, 1987; O'Connell, 1996; Zimmerman, 1996).

Therefore, aligning the voluntary sector organisation's goals and mission to that of the private sector would mean that a voluntary organisation would have to prioritise services prescribed by the purchasers in order to ensure organisational survival (Smith and Lipsky, 1993). Salamon (1993) contends that when an organisation increasingly relies on reimbursable services for its survival that ultimately causes a shift from services targeted at the poor to services targeted at those able to pay or services that are reimbursable. Rosenman, Snocthmer, and VanBenschoten (1999) agreeing with that view, argue that such strategies can drive the voluntary sector to "weed out" clients who are difficult to serve. None contracted activities like campaigning, advocacy and information services, underpinning the voluntary sector ethos, tend to suffer (Flynn, et al., 1996).

The potential of mission drift and increasingly becoming an extension of the state or other purchasers can potentially bring into question the legitimacy of an organisation. Evidently, however, in some cases it may be a delicate balance of and a struggle between ideals and independence and the imperatives of survival and organisational effectiveness (Flynn, et al., 1996; Akingbola, 2003).

Therefore this study proposes that:

Proposition 1: The functional diversity of voluntary sector organisations makes them better conditioned to absorb the impact of contract-based funding on their organisational goal and mission drift.

3 Impact on Resource Mobilisation

Within the private sector, acquisition of resources is an end in its self. Resources determine the value of the organisation's shares and market share which in turn determines the organisation's profitability. However, within the voluntary sector, acquisition of resources is a means to achieving its goals and mission. It is about raising resources to pioneer new approaches to meeting unmet needs and working with people in ways that really meet their needs.

If a voluntary sector is to align its resource acquisition to the private sector model that would mean that resource acquisition becomes an end in its self. According to the resource dependency theory extraction of resources from the environment would become the priority of the organisation and an organisation would have to take on the characteristics of those organisations on whom it depends for resources. According to the neo institutional theory such behaviours may become the norm confirming legitimacy to an organisation, where legitimacy precedes resources.

So, in order to extract resources from the environment, this may lead to increased diversification, differentiation and cost efficiency strategies to ensure organisational survival. In order to keep the resources flowing in, contracts can usher in a regime of increased accountability to the commissioners through increased reporting, auditing and monitoring of activities (Ebrahim, 2005) to demonstrate efficiency and increased effectiveness. Contracts may also increase the voluntary sector organisations' vulnerability to changes in government policies and budget cuts, undermining its legitimacy as an independent actor (Golesky and DeReuiter, 1999).

A combination of all these factors would impact on the organisation's independence¹ and lead to the erosion of the distinguishing characteristics of the voluntary organisation bringing into question the future of the voluntary sector.

So, this study therefore proposes that:

Proposition 2: The dependence of voluntary sector organisations to fewer donors could weaken their legitimacy as independent actors.

4 Impact on Governance

In the private sector, governance is aimed at monitoring performance, in order to minimise costs and achieve increased efficiency to maximise profits, for the shareholders. Within the voluntary sector governance is based on the principles of wider democratic accountability, broad based governance, civic engagement, user participation in decision making and at times providing a training ground for participation in democratic action (Harris, 2001).

Therefore, aligning to the private sector model would mean that an organisation would need to focus on monitoring performance on behalf of the funders as the shareholders. Therefore, organisational growth, based on contracts, would bring with it higher levels of bureaucracy because it comes with complex often conflicting requirements for project appraisal like reporting, evaluation and accounting (Fowler, 1993, p.335).

This would transform the organisation's internal structures, particularly structures around broad based governance, democratic accountability and wider participation. Upward accountability to funders will be prioritised and greater attention will be paid to performance management to demonstrate continuous improvement, efficiency and increased effectiveness. It would need to show increased professionalization, demonstrated by the profile of its board members and staff, to enhance a provider image of an efficient and effective organisation. All these would have fundamental impact on the traditional democratic accountability structures, wider participation and involvement in the decision making process of the multiplicity of its community members and stakeholders.

So, this study therefore proposes that:

Proposition 3: Winning market-based contracts could lessen the democratic accountability of a voluntary sector organisation.

5 Impact on Workforce Management

In its workforce management, the aim of the private sector is to maximise workforce efficiency and effectiveness, often based on an extrinsic psychological contract. The pressure is to achieve increased efficiency, measured by unit costs, while at the same time increasing individual's contribution towards an organisation's profitability. However, with in the voluntary sector, the main drive is focus on collectively meeting

¹ Independence is defined as the ability of an organisation to uphold its purpose and values, negotiate robustly with funders and ability of an organisation to engage in public debate without fear of sanctions.

the organisational goals and mission, based on an intrinsic psychological contract that encourages voluntarism, informality and diversity.

Aligning to the private sector model would mean increased emphasis on cost efficiency and effectiveness to achieve low unit costs. This would lead to increased commercialization and professionalization, although without a profit motive. New private sector management systems, emphasizing productivity, quality assurance, budget discipline, or strategic planning, will be forced on a mission-oriented staff. There will be more emphasis on recruitment of people because of their skills and professionalism (Scott and Russell, 2001). Such selective recruitment would undermine the developmental and social significance of voluntary activity and the concept of active citizen (Lewis, 1996). This is likely to impact on the voluntary sector traditional ethos of voluntarism, informality and diversity.

As a result of pressures on income, individual jobs would be threatened. For instance there might be massive redundancies, temporary recruitment freezes. As a result there will be increased workload for those that remain in post. Certain services may be discontinued or reduced. The likely candidates for such culls may be things like social events for service users which might be unfunded (Bartlett, 2009). There will also be increased stress and anxiety for staff as a result of contract tendering.

Finally, the funding mechanisms may make it difficult to develop continuous improvement plans for services because there is no guarantee that funding will continue. Services therefore, in some cases, will be provided on a day to day basis without significant improvement (Akingbola, 2003).

So, this study therefore proposes that:

Proposition 4: The fast pace of professionalization of services in a voluntary sector organisation the greater would undermine its key competencies of voluntarism, informality and diversity.

6 Impact on Organisational values

In the private sector, the value model stresses competitive positioning in order to more effectively compete, risk taking and the discipline of efficiency in order to maximise profits. However, the voluntary sector is driven by the value of primarily giving expression to the social, philosophical, moral and religious values of their founders. As a result, the voluntary sector value model is based on community participation, due process, stewardship, equality, informality, collectivism and user empowerment.

With the scarcity of resources, pressures for organisational survival, and the pressures of institutional isomorphism (DiMaggio and Powell, 1988) as a result of normatively sanctioned organisational paradigms, voluntary organisations would have to follow the fashions of their institutional fields rather than the logical dictates of their missions and core values (Smith and Lipsky, 1993). Even the loftiest mission will fail if its delivering organization lacks the financial stability to stay afloat, “no money, no mission”.

Therefore, if a voluntary sector organisation adapts the corporate value model, it will have to significantly change both internally and externally. Emphasis would have to

shift away from community participation, due process, stewardship, equality, informality, collectivism and user empowerment. These would be replaced by the ethos of the private sector value model. This is likely to erode the internal participatory mechanisms for internal debate, inclusiveness in the decision making processes, the spirit of voluntarism, equality and diversity.

It is likely that the longevity of a voluntary sector organisations and the entrenchment of its already held values might impede the speed with which these new changes are being implemented.

So, this study therefore proposes that:

Proposition 5: The longevity of a voluntary sector organisation makes drastic the impact of contract and market based competition on its core traditional values and ethos.

7 Methodology

The choice of methodology took into account the characteristics of the phenomena that the project sought to understand. It was deemed that as the study deals with variables focused on organizational factors like contexts, processes and actions like the passage of legislations and the development of strong social norms within an organizational institutional field, it required qualitative research methodology. Case study research strategy was particularly found most suitable it can enable constructs that account for individual and social lives and acknowledge phenomenal experiences in its own context and allows data collection and analysis using various methods which are then validated and triangulated.

The study was based on the database of 960 organisations that somehow benefited from services the Council for Voluntary Services (CVS) in the London borough of Brent. Miller and Friesen (1982) have argued that the number of cases would not matter and even one case study can be satisfactory. However, Yin (2003) argues that multiple case studies are “considered more compelling and the overall study is therefore regarded as more robust”. But Tilly (1984) specifically recommends that because of the complexities around handling case study data, the number of cases as units of analysis, should be deliberately kept few. In this case, BrAVA, British Red Cross, Refugee Council and Shelter were selected because it was clear that the changing business environment and their business strategies had occasioned a high degree of concern amongst their stakeholders. They were also selected because of their contrasting characteristics (their age, size, proportion of statutory versus statutory income and the types of services that they provided).

The next sections will now present the empirical findings of the study, mainly based on the Cross Case Analysis. It has not been possible to include detailed presentations of the within case description and analysis as recommended by Creswell (1998). These are attached as appendices.

8 Cross Case Analysis

In this study, all the four case study organizations experienced the pressures of new public management. These included reduced government funding, a shift from grants to contracts, increased competition, professionalization and increased

accountability to demonstrate increased efficiency and effectiveness. As a result, all the four case organisations were forced to adapt the private sector practices in order to demonstrate continuous improvement, efficiency and increased effectiveness. This had significant transformational effect on their organisation's goal and mission, independence, governance, workforce management and organisational values. The net effect of this transformation effect was that their distinctive capabilities were eroded as they took on the characteristics of their competitors.

8.1 Proposition 1: The functional diversity of voluntary sector organisations makes them better conditioned to absorb the impact of contract-based funding on their organisational goal and mission drift.

As a result of the competitive pressures, all the four case studies were forced to align their goals and mission to the goals of their suppliers of resources in order to achieve mission congruence, a pre requisite to winning a contract. Inadvertently, that transformed these organization's fundraising, governance, workforce management and organizational values. As a result, emphasis on advocacy and value based mission, the need to build social capital, campaign for inclusion of new services for the marginalised communities and the promotion of social change, as its *raison d'être*, was replaced by emphasis on market based values focused on meeting expectations of the funders.

This, however, varied with the extent to which an organisation was multifunctional. So goal and mission drift was less severe at British Red Cross. Although the organization withdrew from a number of generic services and reviewed its property portfolio, it developed a wide range of other services targeted at the wider society as opposed to individuals that could pay. However, at BrAVA, Refugee Council and Shelter, these organisations shifted from focus on meeting public good, such as advocacy, building social capital and serving the poor to meeting individual client needs based on easily reimbursable services. Emphasis on advocacy and value based missions as the *raison d'être* of a voluntary sector organisation, was lost.

Insert Table 2 Here

So, the more multi-functional a voluntary sector organisation is, the more likely is it that the introduction of contracts and market based competition would not cause organisational goal ambiguity and mission drifts.

8.2 Proposition Two: The dependence of voluntary sector organizations to fewer donors could weaken their legitimacy as independent actors.

Once these organisations aligned their goal and missions to the private sector model, inevitably the competitive pressures of new public management, as predicted by the resource dependency and neo institutional theorists, meant that they had to depend on resources extracted from the environment. This required that they have increased emphasis on upward accountability to funders to maintain the flow of resources. In addition, as strongly demonstrated by the case of BrAVA, Refugee Council and Shelter, but less at British Red Cross, it meant that they had to mimic

their donor agencies' systems and procedures. This significantly transformed the internal workings of the four case organisations. BrAVA, Refugee Council and Shelter became more and more of quasi public service delivery agencies and shifted away from their founding mission of, community development, empowering the marginalised communities, building social capital, campaigning and acting as the independent voice of the voiceless. This undermined their integrity as independent actors and brought into question their independence. However, as evidenced by the four case studies, the degree of erosion would vary with their dependency on one or more donors. Again, it was less felt at British Red Cross because it had more than 300 contracts. However, it was more severe at BrAVA, Refugee Council and Shelter.

Insert Table 3 Here

So this study concludes that the greater a voluntary sector organisation is dependent on one donor the greater would be the likelihood that its legitimacy weakens as an independent actor.

8.3 *Proposition Three: Winning market-based contracts could lessen the democratic accountability of voluntary sector organisation.*

As these organisations mimicked the systems and procedures of their suppliers of resources, one of the areas that were significantly transformed was governance. The four case organisations aligned to the private sector governance model. In effect, their governance shifted from the traditional voluntary sector model, to monitoring performance to increase efficiency and maximise productivity in order to reduce unit costs. Because of the pressure of extracting resources from their environment, upward accountability across the four case organisations was prioritised and they increasingly faced pressure to professionalise. In effect, the board became an instrument of monitoring the organisation's performance on behalf of their funders.

Increased monitoring and the pressure to professionalise increased the trustee responsibilities and across the four case studies, tended to alienate the internal stakeholders as the community representatives on the boards. The community representatives on the boards required that governance was pleasurable as there are no incentives for governance in the voluntary sector. It is often driven by their commitment to the organisation's mission and not the organisation's survivability. Therefore, across the four case organisations, this lessened these organisations' democratic accountability, broad based governance and the wider participation, as the traditional ethos of the voluntary sector governance.

Insert Table 4 Here

This study therefore concludes that, the greater the success of a voluntary sector organisation depends on winning market-based contracts, the greater would be the likelihood that its democratic accountability and wider participation would be lessened.

8.4 *Proposition Four: The faster the pace of professionalization of services in a voluntary sector organisation the greater would undermine its key competencies of voluntarism, informality and diversity.*

The other area were the four case organisations benchmarked their competitors was the area of workforce management. As a result of the competitive pressures, all the four case organisations were forced to align their workforce management to the private sector workforce management model based on maximising workforce efficiency and effectiveness. Again that had significant transformational effect on the internal workings of the four organisations. Although less at British Red Cross, BrAVA, Refugee Council and Shelter, became much more focused on competing and winning contracts and ensuring organisational survival. This increasingly shifted these organisations focus to increased professionalization and a search for greater efficiency to achieve lesser unit costs. In effect, that meant a shift from the intrinsic to an extrinsic psychological employment contract based on maximising efficiency. Their workforce recruitment shifted from recruiting people in relation to the organisation's mission related acumen to increased professionalization and workforce recruitment not aligned to the organisations' missions and values and increased monitoring of their activities.

That reduced the informality, voluntarism and diversity. Individual hopes, feelings, preferences, and valuing relationships across the four organisations, suffered. In turn, this impacted on service quality, employee morale, employee concentration, employee commitment to the organisation and its work and inevitably led to increased workforce turnover. Across the four organisations, this was much more dramatic at British Red Cross where the numbers of volunteers dropped from 98,000 in 1998 to 27,000 in 2009 and, at Shelter where all the staff were fired and rehired on new contracts.

Insert Table 5 Here

This study therefore concludes that the faster the pace of professionalization of services in a voluntary sector organisation the greater would be the likelihood that its key competencies of voluntarism, informality and diversity are undermined.

8.5 Proposition Five: The longevity of a voluntary sector organisation makes drastic the impact of contract and market based competition on its core traditional values and ethos.

Finally, as a result of the pressures of organisational survival, the private sector value model was superimposed on the institutional frameworks of the four case organisations. Fundamentally, this proved unhealthy for the four case organisations. Their value model shifted from informality, trust reporting systems and the informal consultative processes to the institutionally accepted codes of conduct based on competition and performance management. Their Focus shifted from meeting the users' needs as the organisations' raison d'être, to presentation of an image of increased professionalism and greater efficiency in order to win contracts. Were they had previously focused on community participation, due process, stewardship, equality, informality, collectivism, user empowerment and building social capital as the traditional ethos of the voluntary sector, emphasis will shifted to competitive positioning. Across the four organisations, that severely disrupted the previously productive working relationships and eroded their voluntary sector distinguishing capabilities.

Insert Table 6 Here

Therefore, this study has found significant impact of contracts and market based competition on the core traditional values and ethos of the voluntary sector. However, this study has found no direct bearing between the impact of the competitive pressures of new public management and the longevity of the organisation. The impact on organisational values seemed to be proportionate to the dependency on resources from the environment, were an organisation had to mimic the normatively sanctioned values of the institutional framework, in order to ensure organisational survival.

9 Discussion and Conclusion

This study has taken on and challenged the market driven notion that the efficiency of markets and the value of competition, assumptions of new public management should underpin the strategy for improving voluntary sector effectiveness and the delivery of public services. It has provided an understanding of the voluntary sector adaptive strategies when organisations are subjected to competitive pressures and clearly shown how the central assumptions of new public management like customer focus, competition, entrepreneur management and performance management can instead, negatively, radically transform a voluntary sector organisation. For instance, increased competition although advocated by neo classic theorists is shown to disrupt productive working relationships and the need to build social capital. Increased performance management can radically transform the nature of voluntary sector democratic accountability with profound consequences on the organisation's goals and mission, independence, workforce management and organisational values. It is hoped that by bringing out to the attention of the reader, the limitations of the assumptions of new public management, the study has in the main, contributed to theory and practice by showing the dangers of over trusting the markets and the contracting processes as a means of bringing about improvements in public service delivery.

The findings, underscore the need for similar more empirical studies to develop theoretical models specific to the voluntary sector carrying it forward from the private sector. It also raises significant implications for the individual organisations, infrastructure support agencies and the statutory agencies seeking to maximise the value of the involvement of the voluntary sector in the delivery of public services.

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Table 1: Impact on Governance

Institutional Field	Private Sector	Voluntary sector
Goals and mission	<ul style="list-style-type: none"> Primarily exist to maximise profits (Langlors, 1986; Walsh, 1995) 	<ul style="list-style-type: none"> Primarily exist with advocacy or social value based missions to meet the unmet needs as a result of the inadequacies public sector provisions.
Acquisition of Resources	<ul style="list-style-type: none"> Acquisition of resources is an end in its self 	<ul style="list-style-type: none"> Acquisition of resources is a means to an end.
Governance	<ul style="list-style-type: none"> Aimed at monitoring performance in order to minimise costs and achieve increased efficiency to maximise profits 	<ul style="list-style-type: none"> Aimed at achieving democratic accountability, broad based governance, civic engagement, engaging the service users in the decision making process
Workforce management	<ul style="list-style-type: none"> Aimed at maximising workforce efficiency and effectiveness, often based on an extrinsic psychological contract. 	<ul style="list-style-type: none"> Collectively meeting the organisational goals and mission, based on an intrinsic psychological contract.
Organisational values	<ul style="list-style-type: none"> Stresses competitive positioning, risk taking, efficiency and effectiveness. 	<ul style="list-style-type: none"> Primarily giving expression to the social, philosophical, moral and religious values of their founders.

Table 2: Impact on Goals and Mission

	BrAVA	British Red Cross	Refugee Council	Shelter
Provide mediating structures between individuals and state.	<ul style="list-style-type: none"> Focal point of voluntary action in Brent. Providing interface between local VS and the state. 	<ul style="list-style-type: none"> Helped facilitate individual access to public sector provisions. 	<ul style="list-style-type: none"> Focal point of voluntary action on refugees and asylum seekers issues. 	<ul style="list-style-type: none"> Focal point of voluntary action on the homeless.
Multifunctional/more focused.	<ul style="list-style-type: none"> Less than 10 contracts. No individual donations. More focused on advocacy, building social capital, empowering local communities. 	<ul style="list-style-type: none"> Over 300 contracts. So less focused. 30% of budget from individual donations. 	<ul style="list-style-type: none"> Less than 20 contracts, largely with Home Office. So more focused. 	<ul style="list-style-type: none"> Less than 50 contracts but largely led by the LSC. So more focused.
Services prioritised.	<ul style="list-style-type: none"> Prioritised services prescribed by the state. Shifted from meeting wider society needs to 	<ul style="list-style-type: none"> Prioritised Emergency Response as a government priority. Deleted some non 	<ul style="list-style-type: none"> Prioritised Emergency accommodation and NASS support with Home Office. Reduced sector 	<ul style="list-style-type: none"> Prioritised services funded by LSC. Reduced non funded services like campaigning and advocacy.

	<ul style="list-style-type: none"> meeting individual needs. ▪ Reduced provision of non funded services like advocacy, partnership and research. ▪ Introduced service based fees. 	<ul style="list-style-type: none"> reimbursable services. ▪ Introduced service based fees. 	<ul style="list-style-type: none"> representation, building capacity of RCO, campaigning and advocacy. 	
Shift from focus on public good to meeting individual needs.	<ul style="list-style-type: none"> ▪ Shifted from meeting organisational needs to meeting needs of individuals. ▪ Excluded vulnerable communities. 	<ul style="list-style-type: none"> ▪ Became more responsive to needs as a way of piloting services that could leverage contracts. 	<ul style="list-style-type: none"> ▪ Shifted from meeting needs of asylum seekers to meeting needs of the Home Office. 	<ul style="list-style-type: none"> ▪ Shifted from meeting needs of the homeless to meeting needs of the LSC. ▪ “weeded out” clients who perceived as difficult to serve.
Extent of mission drift	<ul style="list-style-type: none"> ▪ Shifted from advocacy and building capacity of the VS to volunteering targeted at vulnerable individuals. ▪ From meeting the wider society needs to meeting needs of the funders. 	<ul style="list-style-type: none"> ▪ Mission drift was medium. ▪ Shifted from First Aid and ancillary services to provision of Emergency Response and advocacy. 	<ul style="list-style-type: none"> ▪ Mission drift was High. ▪ At a point in time, turned into a housing agency managing emergency accommodation . 	<ul style="list-style-type: none"> ▪ Mission drift was high. ▪ Shifted from specialist housing advice to generalist welfare advice as prescribed by LSC. ▪ Reduced campaigning and advocacy.

Table 3: Impact on independence

BrAVA	British Red Cross	Refugee Council	Shelter
<ul style="list-style-type: none"> • Reduced work on social policy. • Reduced work on identifying and developing of new services. • Performance management increased professionalization, bureaucracy and reduced informality. • Became more business focused and more competitive. • Perceived as to close to local authority and as a quasi government agency. • Stifled organisational: <ul style="list-style-type: none"> • flexibility, • innovativeness, • responsiveness to need, and ability to experiment without fear of sanctions • Undermined ability to develop own strategy and 	<ul style="list-style-type: none"> • Increased work on social policy. • Increased work on identifying needs and developing new services. • Performance management increased professionalization, bureaucracy and reduced informality. • Stifled organisational flexibility and ability to experiment 	<ul style="list-style-type: none"> • Lost the flexibility and responsiveness to the refugees and asylum seekers’ needs • Disrupted previously productive working relationships and replaced them with tension and mistrust which impacted on the building of social capital. • Perceived as a quasi public sector agency under the Home Office. • Stifled organisational: <ul style="list-style-type: none"> • flexibility, • innovativeness, • Responsiveness to need, and • ability to experiment without fear of sanctions • Undermined ability to develop own strategy and devise own 	<ul style="list-style-type: none"> • Reduced work on social policy, identifying and developing of new services. • Performance management increased professionalization, bureaucracy and reduced informality. • Stifled organisational: <ul style="list-style-type: none"> • flexibility, • innovativeness, • Responsiveness to need, and • ability to experiment without fear of sanctions • Undermined ability to develop own strategy and devise own solutions to emergent needs. • Compromised the organisation’s purpose and values. • Reduced organisation’s

devise own solutions to emergent needs. <ul style="list-style-type: none"> • Compromised the organisation's purpose and values. • Reduced organisation's ability to negotiate with funders. • Increased self censure for fear of sanctions. 	without fear of sanctions.	solutions to emergent needs. <ul style="list-style-type: none"> • Compromised the organisation's purpose and values. 	ability to negotiate with funders. <ul style="list-style-type: none"> • Increased self censure for fear of sanctions.
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Table 4: Impact on Governance

	BrAVA	British Red Cross	Refugee Council	Shelter
Increased professionalization	<ul style="list-style-type: none"> • Amended organisation's constitution and opened trustee eligibility to a wider catchment area. • Trustee recruitment based on skills and experience assessed by a Nomination Panel. • Better induction and training of trustees in their roles and responsibilities. 	<ul style="list-style-type: none"> • Reduced elections of trustees to a smaller electoral college of two from each territory but trustees elected would not be aligned to their territories. • Eight trustees of the 17 would be co-opted based on their skills, board experience and connectedness. • Introduced term limits. 	<ul style="list-style-type: none"> • Increased focus on skills and experience that the elected members could bring on to the board. • Trustees could be elected from any organisation irrespective of their membership. 	<ul style="list-style-type: none"> • Focus shifted to increased professionalism. • Trustee recruitment was by external adverts. • Applicants interviewed by the Nomination Panel based on their skills and experience.
Shift in accountability structures	<ul style="list-style-type: none"> • Shifted emphasis to upward accountability and donor relation to ensure organisational survival. • Role of the trustees, in the main, shifted to providing accountability to the commissioners for the contracted services. • Internal repression to drive strategies through by the professionals. 	<ul style="list-style-type: none"> • Shifted emphasis to upward accountability and donor relation to ensure organisational survival. • Role of the trustees, in the main, shifted to providing accountability to the commissioners for the contracted services. • Internal repression to drive strategies through by the professionals. 	<ul style="list-style-type: none"> • Shifted emphasis to upward accountability and donor relation. • Role of the trustees shifted to providing accountability to the Home Office for the contracted services. • Internal repression to drive strategies through by the professionals. 	<ul style="list-style-type: none"> • Shifted emphasis to upward accountability and donor relation. • Role of the trustees, in the main, shifted to providing accountability to the funders for the contracted services. • Internal repression to drive strategies through by the professionals.
Impact on democratic accountability and wider participation	<ul style="list-style-type: none"> • Brought in increased skills and experience and increased best practice at board level • Increased board level understanding of the organisation's strategic position. 	<ul style="list-style-type: none"> • Increased board level understanding of the organisation's strategic position in the market. • Tensions between professionals and the volunteers on the organisation's strategic direction. • Lessened democratic 	<ul style="list-style-type: none"> • Reduced community representation at board level. • Tensions between professionals and community representatives on the organisation's strategic direction. • Lessened 	<ul style="list-style-type: none"> • Tenants and community activists were removed from the board. • Reduced link between the trustees and the rest of the organisation. • Reduced involvement of the internal stakeholders in the planning and delivery of the

	<ul style="list-style-type: none"> • Lessened democratic accountability, wider participation and civic engagement. • Reduced link between the board, staff and the end users. • Reduced ability of internal stakeholders in influencing service planning and delivery. • Increased responsibility and technical complexities at board meetings. • Increased responsibilities made unpaid governance activity unpleasant. • Recruitment and retention of new community reps increasingly became difficult. • Board perceived as an instrument of the local authority; the main funder. 	<p>accountability, wider participation and civic engagement, as volunteer representation on the board were reduced.</p> <ul style="list-style-type: none"> • Reduced link between the board, volunteers and the end users. • Reduced ability of internal stakeholders influencing service planning and delivery. • Board perceived as a commercially driven instrument of the funders. 	<p>democratic accountability, wider participation and civic engagement, as community representation on the board were reduced.</p> <ul style="list-style-type: none"> • Reduced ability of internal stakeholders influencing service planning and delivery. • Board perceived mainly as an instrument of the Home Office and Refugee Council as a quasi public sector agency. 	<p>organisational activities.</p> <ul style="list-style-type: none"> • Board perceived as an instrument of the Legal Services Commission. • Reduced ability of internal stakeholders in influencing service planning and delivery.
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Table 5: Impact on Workforce Management

	BrAVA	British Red Cross	Refugee Council	Shelter
Workforce Recruitment	<ul style="list-style-type: none"> ▪ More Formalised recruitment of good entrepreneurial staff and managers with business expertise and skills. ▪ Selective recruitment of volunteers with skills. 	<ul style="list-style-type: none"> ▪ More Formalised recruitment of good entrepreneurial staff and managers with business expertise and skills. ▪ Introduced volunteer job descriptions, person specifications and application forms. ▪ Selective recruitment of skilled and knowledgeable volunteers based on specialisation. 	<ul style="list-style-type: none"> ▪ Formalised staff and volunteer recruitment targeted at recruiting managers with skills, knowledge and experience. ▪ Formalised volunteer recruitment, subjecting them to formal applications, minimum qualifications and CRB checks. 	<ul style="list-style-type: none"> ▪ Formalised recruitment targeted at recruiting entrepreneurial and good staff and managers with business expertise and skills. ▪ Selective recruitment of volunteers with skills.
Performance management	<ul style="list-style-type: none"> ▪ Introduced uniform practices, policies, procedures and standardised procedures to meet service specifications. 	<ul style="list-style-type: none"> ▪ Introduced a wide range of management techniques. ▪ Developed project around impact assessment to capture outcomes. 	<ul style="list-style-type: none"> ▪ Introduced uniform practices, policies, procedures and standardised procedures to meet service specifications. 	<ul style="list-style-type: none"> ▪ Introduced uniform practices, policies, procedures and standardised procedures to meet service specifications.
Volunteer	<ul style="list-style-type: none"> ▪ Reduced the 	<ul style="list-style-type: none"> ▪ Introduced new 	<ul style="list-style-type: none"> ▪ Formalised 	<ul style="list-style-type: none"> ▪ Reduced the informality and

Management	<p>informality and introduced tighter specifications.</p> <ul style="list-style-type: none"> Introduced more structured supervisions and performance reviews. Increased volunteer workloads. Replaced less skilled volunteers from the marginalised communities by paid staff. 	<p>volunteer management structures and standardised volunteer management practices.</p> <ul style="list-style-type: none"> Introduced uniform organisational policies and procedures to meet service expectations. Some volunteers replaced by paid staff. 	<p>volunteer management</p> <ul style="list-style-type: none"> Reduced informality and introduced standardised volunteer management systems. Increased volunteer workloads. Some volunteers replaced by paid staff. 	<p>introduced tighter specifications</p> <ul style="list-style-type: none"> Introduced more structured supervisions and performance reviews. Replaced less skilled volunteers often from the marginalised communities with paid staff.
Staff management	<ul style="list-style-type: none"> Increased the monitoring meetings Introduced systems for better collection of management information statistics. Staff workload increased. Harsher approach to performance management. 	<ul style="list-style-type: none"> Reduced informality and formalised management structure with supervision and appraisals linked to rewards. Staff workload increased. Harsher approach to performance management. 	<ul style="list-style-type: none"> New target driven performance management systems were introduced. Staff subjected to onerous reporting system on which they spent 40% of their time. 	<ul style="list-style-type: none"> Increased the monitoring of meetings Started an Internal Audit department to enforce contract compliance. Harsher approach to performance management.
Rewards Pay and conditions of work	<ul style="list-style-type: none"> Short term employment contracts – job security. Increased staff responsibilities. Redundancies to cut down on costs and recruitment freeze. Flexible working restricted to core business hours. Reduced holiday and sick leave to the statutory entitlements. Staff volunteering restricted to relevance in terms of professional development. 	<ul style="list-style-type: none"> Offered short term employment contracts – caused anxiety around job security. Increased staff responsibilities. Redundancies to cut down on costs. 	<ul style="list-style-type: none"> A number of staff made redundant. Caseloads increased. Short term contracts issued aligned to service contract duration. Employment conditions reviewed. Some staff transferred, under TUPE, to a private sector provider. 	<ul style="list-style-type: none"> All staff were fired and rehired on downgraded salary scales but with increased working hours and responsibilities. All pro staff favourable employment conditions were restricted to realign the organisation with the market unit costs. Issued short term contracts; a source of great anxiety for managers and staff. Staff TUPED to competitors.

Table 6: Impact on Organisational Values

	BrAVA	British Red Cross	Refugee Council	Shelter
Community participation	<ul style="list-style-type: none"> Shifted to competitiveness and increased efficiency and better performance management in order to win contracts. 	<ul style="list-style-type: none"> Reinterpreted the fundamental principles to make them more relevant to the competitive times. Aligned to the market values through application of a wide range of business practices. 	<ul style="list-style-type: none"> Shifted to increased efficiency, competitiveness and better performance management in order to win contracts. 	<ul style="list-style-type: none"> Shifted to increased efficiency, competitiveness and better performance management in order to win contracts.
Cooperation across organisations.	<ul style="list-style-type: none"> Competition disrupted previously productive working relationships. Lesser need for 	<ul style="list-style-type: none"> Lesser need to build networks based on social capital, increased competition amongst what used to 	<ul style="list-style-type: none"> Competition disrupted previously productive working relationships. Lesser need of 	<ul style="list-style-type: none"> Competition disrupted previously productive working relationships.

	building social capital and building strong relationships.	be collaborative networks but guided by the reinterpreted fundamental principles.	building social capital and building strong (?)	
Concern about public benefit	<ul style="list-style-type: none"> • Reduced organisational flexibility and responsiveness to community needs core to its mission. • Instead delivered services shaped by external pressures and threats of organisational survival. • Reduced freedom to set organisational priorities and ability to provide the wider benefits of services beyond contract specifications. • Led to challenges around freedom to uphold purpose and values, negotiating without fear of sanctions and around engaging in public debate. 	<ul style="list-style-type: none"> • Became more responsive to needs of marginalised communities like refugees and asylum seekers. • Sought to be more inclusive in order to change its image so that it is more competitive. 	<ul style="list-style-type: none"> • Reduced organisational flexibility and responsiveness to Refugees and Asylum seekers' needs. • Delivered services not core to its mission but prescribed by the Home Office. • Reduced freedom to set organisational priorities and ability to provide the wider benefits of services beyond contract specifications. • Led to challenges around freedom to uphold purpose and values, negotiating without fear of sanctions and around engaging in public debate. 	<ul style="list-style-type: none"> • Reduced organisational innovativeness, flexibilities and responsiveness to homelessness. • Delivered services not core to its mission but prescribed by the LSC. • Reduced freedom to set organisational priorities and ability to provide the wider benefits of services beyond contract specifications. • Led to challenges around freedom to uphold purpose and values, negotiating without fear of sanctions and around engaging in public debate.
Line management authority	<ul style="list-style-type: none"> • Reduced informality as organisation became more hierarchical. 	<ul style="list-style-type: none"> • Organisational structures shifted from informality and trust reporting systems to greater market driven business practices and more centralised roles. 	<ul style="list-style-type: none"> • Organisation became more hierarchical with reduced channels of informal communication. 	<ul style="list-style-type: none"> • Organisation became more centralised and hierarchical with no channels of informal communication.
Appreciation of equality and diversity	<ul style="list-style-type: none"> • Internal repression to drive predetermined strategies through. 	<ul style="list-style-type: none"> • Reduced internal participatory mechanisms, less volunteer empowerment • Became management led 	<ul style="list-style-type: none"> • Less internal stakeholders' participation in decision making and increased internal repression to drive predetermined strategies through. 	<ul style="list-style-type: none"> • Heightened internal repression to drive predetermined strategies through.

Appendix Within Case Description and Analysis

BrAVA

The history of BrAVA as a voluntary sector organisation makes it a rich case study organisation. It was founded based on an advocacy based mission, as a focal point for voluntary action across the borough, to deal with failures in the public sector provisions. Its service delivery was based on the needs and experiences of its founding member organisations. Based on the ethos of the voluntary sector model, it attempted to involve a wide range of stakeholders in its decision making processes, allowing it the freedom to experiment, innovate and act as an independent and legitimate voluntary sector organisation. Its workforce employment practices clearly demonstrate an organisation that values its workforce and whose performance management systems were previously aimed at creating an intrinsic psychological

contract to provide a challenging and meaningful work to its employees. Its value model was based on building social capital and building networking partnerships.

However, as a result of the competitive pressures of new public management, the case study shows that the organisation was forced to adapt and that fundamentally transformed its internal workings and design. Its goals became aligned to the goals and mission of the public sector as its main funder. Its organisational independence and legitimacy came under question as a result of over dependence, particularly on the local authority. Its governance shifted to increased accountability to the funders and its workforce management shifted to increased attention to efficiency to minimise costs so that it is more competitive on unit costs. As a result, equally, its value model became aligned to the value model of the private sector based on competitiveness.

So, BrAVA managed to extract resources from its environment, grew in size and had increased levels of service provisions. However, the funding restrictions impacted on the organisation's distinctive capabilities. This negatively affected its innovative abilities, flexibilities and responsiveness to local circumstances. It disrupted the previously productive working relationships and BrAVA lost the flexibility and responsiveness to the voluntary sector needs on its geographical patch. As a result, BrAVA increasingly found it challenging upholding its freedom, purpose and values. Its independence and legitimacy as an organisational actor came under question. BrAVA also found it challenging engaging in public debate, campaigning and negotiating without fear of sanctions, on its own behalf and on behalf of its members as its *raison d'être*.

British Red Cross

In Its early days, British Red Cross delivered services based on its founding mission and shaped by the needs and experiences of the volunteers as its members. Through a complex committee structure, that included the Volunteer Councils at the Branch level and a wide range of informal communication mechanisms, it attempted to involve a wide range of stakeholders in its decision making processes. This allowed generation of ideas that enabled freedom to experiment, stimulated innovativeness and enabled the organisation recognition as an independent, neutral, impartial and legitimate voluntary sector organisation building inroads where others could not.

Its workforce management practices clearly demonstrate an organisation that valued its workforce and whose performance management systems were previously aimed at creating an intrinsic psychological contract to provide a challenging and meaningful work to its employees. The organisational paradigm was very much about voluntarism and providing free services to the end users. It was indeed a "volunteer led organisation" where staff and volunteers remained associated to the organisation for decades. Its value model resisted competition and often sought to build social capital and networking partnerships other than competing.

However, as a result of the competitive pressures, the organisation was forced to adapt and that transformed its internal workings and design. Its goals and mission were often market led to more effectively position its self to compete. Managers, make it clear that for instance Emergency Response was prioritised because it was a

government priority. Although, it was able to absorb change because it was large and multifunctional, its independence, neutrality, impartiality and legitimacy came under question as, in the eyes of the volunteers as its members, it became more and more market oriented and commercialised.

As it increasingly professionalised, it weakened its democratic accountability and wider participation, hallmarks of its founding. Inevitably, its workforce management shifted to increased attention to efficiency to minimise costs and to achieve greater competitiveness on unit costs. As a result, informality and voluntarism were replaced by increased professionalism and bureaucracy.

Trapped in the competitive arena, an organisation that had prophesied neutrality and impartiality was equally forced to reinterpret its fundamental principles to enable the organisation live them in the modern times. Practically this meant aligning its value model to the model of the private sector that stresses the value of competitive strategy, risk taking, competitive positioning and the discipline of efficiency.

Because the organisation adapted to change, it helped to keep it stay afloat and in certain respects, it helped the organisation to become more effective. However, the competitive environment and funding restrictions undermined the organisation's goals and mission, independence as a legitimate voluntary sector organisation, weakened its democratic accountability and wider participation, and reduced its voluntarism and informality.

Refugee Council

The founding of Refugee Council was clearly based on an advocacy based mission; providing protection for the vulnerable refugees and asylum seekers and addressing failures of public sector provisions. However, as a result of competitive pressures, the organisation was turned into a quasi state agency, on behalf of the state, determining asylum seekers' eligibility for state support, enforcing their dispersal to regions and enforcing Home Office contract compliance with other voluntary sector organisations.

As the organisation adopted the tools and values of the private sector markets, it lost the flexibility and responsiveness to the refugees and asylum seekers' needs. At the time of the study, the organisation was struggling to regain its position as the sector leader. Organisations that Refugee Council had previously collaborated with helped to develop and brought together to collaborate and address the beneficiaries' needs had become competitors with relationships characterised by tension and mistrust impacting on the building of social capital. Both the Refugee Council and its potential collaborators from the voluntary sector were jealously striving to guard knowledge and information as a source of their competitive advantage.

In contracting the Refugee Council to deliver public services the state had certain expectations. But as evidenced by NASS complaints, this was resisted by the Refugee Council workforce. Staff at the Refugee Council were all driven by a compassionate desire to act as a that trusted friend of the asylum seeker, providing practical help and advocacy, when the big guns of the state turned against them.

So, because of the competitive pressures, an organisation that once acted as a champion of the refugee sector and as a trusted source of practical help and advocacy for the asylum seekers, turned into a detested leading competitor in the sector perceived as an instrument of the state.

Shelter

Shelter was founded as an advocacy based organisation. Its service delivery was based on the experiences of its members. Although it had less democratic accountability, it attempted to involve a wide range of stakeholders in its decision making processes. This allowed it the freedom to experiment, innovate and act as an independent and legitimate voluntary sector organisation. Its workforce employment practices demonstrate an organisation that clearly valued its workforce and whose performance management systems were previously aimed at creating an intrinsic psychological contract aimed at providing a challenging, meaningful work to its employees. This is further evidenced by the organisation being awarded twice as the best employer of the years 2006 and 2007.

However, as a result of the competitive pressures, Shelter was fundamentally transformed. Its goals became aligned to the goals and mission of the funders, largely, the Legal Service Commission, as its main funder. As a result, its organisational independence and legitimacy came under question. Its governance shifted to increased accountability to the funders and its workforce management shifted to increased attention to efficiency to minimise costs so that it is more competitive on unit costs. Equally, its value model became aligned to the value model of the private sector based on competitiveness.

A combination of the above factors had the positive benefits that Shelter grew in size and had increased levels of service provisions. However, the funding restrictions impacted on Shelter's distinctiveness, reducing its innovative abilities, flexibilities and responsiveness to local circumstances. These factors led to comprehensive challenges for Shelter, around its freedom to uphold purpose and values, around its independence and legitimacy as an organisational actor; engaging in public debate, campaigning and negotiating without fear of sanctions, as its *raison d'être*.