

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

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**December 2011**

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**Submitted to the Faculty of Business and Law  
in candidacy for the degree of**

**Doctor of Business Administration**

**December 2011**

# Abstract

Competition between the voluntary sector and across sectors has, over the years, intensified. As a result, a growing body of literature urge the voluntary sector organisations (VSOs) to adopt the best practices of the private sector, in order to demonstrate professionalism, win contracts and increase organisational survival. Such advocates assume the generic character of private-sector management practices and inherent structural similarities between organisations in both the voluntary and private sectors. However, if a VSO is to adopt the private sector practices to be able to more effectively compete, demonstrate effectiveness and continuous improvement, how would that impact on that VSO's effectiveness? Not much is known about the inner intricacies of VSOs experiencing drastic competitive pressures and having to adapt to ensure organisational survival.

This study set out to evaluate the impact of such competitive pressures and the organisations' adaptive strategies on the VSOs' effectiveness. The study has taken on and challenged the market driven notion that the efficiency of markets and the value of competition should underpin the strategy for improving VSO's effectiveness and the delivery of public services.

The researcher sought theoretical models that could provide an understanding of how social processes would determine the efficacy of VSOs in such a competitive environment. The neo-institutional and the resource dependence theories were preferred, enabling the study to predict the possible organisational behaviours; under competitive pressures. As result, five testable propositions were developed, based on the key institutional differences between the voluntary and the private sectors. The study then adopted a longitudinal comparative case study research method to test the propositions. Three case study organisations were selected, based on their sources of income, provisions and characteristics of organisations where change had occasioned concern amongst stakeholders. From an insider perspective, with at least two of the case organisations, the overall context of the pressures leading to adaptation at the three case study organisations was shaped by changes in the delivery of public services.

Using a variety of qualitative data collection methods, a wide range of data was collected, triangulated and analysed. The study also drew on the long term professional and practical work experience of the researcher as a senior practicing manager within the voluntary sector, and as a reflective scholar-practitioner.

The findings reveal that, as a result of competitive pressures, VSOs have to adapt to ensure organisational survival. Although this may be of some immediate benefits to the organisations, such adaptive strategies lead to goals and mission drifts; erode organisational independence and legitimacy; weaken democratic accountability and reduce wider participation. It reduces voluntarism, informality and diversity, and erodes the VSOs' traditional values and ethos. This has wider implications for the individual voluntary sector organisations, sector leaders and the public sector seeking to maximise the value of service delivery by the voluntary sector, and those advocating, indiscriminately, the adoption of private sector practices, as a strategy for improving voluntary sector effectiveness.

The study provides an understanding of VSOs' organisational behaviours under competitive pressures, and the transformational effect that such competitive pressures may have on an organisation's distinctive capabilities.

# Acknowledgement

The old adage has come to pass. "A journey of thousand miles begins with one single step". Many years ago, I set myself on to a journey. It has been a journey of an uneven landscape; full of peaks and troughs, mountain ranges and valleys. It has been a journey of hope and hopelessness, with the mountain ranges at times appearing insurmountable and the valleys at times dark and intimidatingly unassailable. Whatever the violent transformations may have been, and the valleys as dark as they may have at times been, I have firmly held on to the belief that one day I will find my feet on the mountain top, fired by a vision of the trade-off between the hard and consuming work that has been, and the payoff.

With much pleasure, I would like to acknowledge with many thanks the assistance and inspiration of a host of researchers that along the way have held my arm and shepherded me, contributing to the success of this research project. With much pleasure, I would like to mention my supervisors Dr Kent Springdal and Dr Therese Woodward at the Business School, Kingston University. Over the last five years, Dr Kent Springdal, has acted as my mentor. Reading my work through and through, he has helped to finally shape it into what it has finally turned out to be. Dr Therese Woodward has severally made input to my work and provided encouragements, right from the early days when I joined the Business School. Her contribution and feedback, to several of my writings, has proved extremely valuable in the development and shaping of this thesis. I can easily take all the credit for the accomplishment. However, this thesis could not have been completed without your invariable help. Therefore, whereas I take responsibility for the faults, if this work deserves any credit, that credit should be shared with you all.

I would also like to thank colleagues across the voluntary sector for their invariable contributions, over time, towards this study. In particular, I would like to thank the trustees, managers, staff and volunteers at BrAVA, the Refugee Council and Shelter, who so kindly and generously, sat through my often long and searching interviews. You granted me the privilege of listening to all sides of the drama and getting across to highly sensitive information about strategic choices and change overtime in your organisations. Without your co-operation and trust, this work would not have been completed. So, thank you very much indeed. Thanks also go to the British Red Cross who, in the main, provided sponsorship for this study.

Finally, I would like to thank my dear loving wife Sarah and my "little people"; sons Elian and Dylan. It has been a long and winded journey, which has often appeared endless. This thesis is the payoff. So thank you indeed for your patience and tolerance that has allowed me the time and space to walk the walk. To you all, I dedicate this thesis.

Keefa Kiwanuka  
December 2011



# Table of Contents

|                  |  |            |
|------------------|--|------------|
| <b>Chapter 1</b> | <b>Introduction</b>                                      | <b>1</b>   |
| 1.1              | Rationale of the study                                   | 1          |
| 1.2              | Aims of the study  | 13         |
| 1.3              | Outline of the study                                     | 14         |
| <b>Chapter 2</b> | <b>Literature Review</b>                                 | <b>20</b>  |
| 2.1              | Introduction   | 20         |
| 2.2              | New Public Management as a driver                        | 20         |
| 2.3              | Impact on the Organisations' Goals and Mission           | 29         |
| 2.4              | Impact on the Organisations' Resource Acquisition        | 37         |
| 2.5              | Impact on the Organisations' Governance                  | 47         |
| 2.6              | Impact on the Organisations' Workforce Management        | 59         |
| 2.7              | Impact on the Organisational Values                      | 69         |
| 2.8              | Summing Up   | 75         |
| <b>Chapter 3</b> | <b>Research Methods</b>                                  | <b>79</b>  |
| 3.1              | Introduction   | 79         |
| 3.2              | Theory of the method that guided the study               | 79         |
| 3.3              | Advantages and weaknesses of the Positivistic strategies | 82         |
| 3.4              | Case Study research method defined                       | 85         |
| 3.5              | Weaknesses of the qualitative research method.           | 87         |
| 3.6              | Advantages of the Case Study research method             | 89         |
| 3.7              | Case selection strategy                                  | 90         |
| 3.8              | Data collection  | 92         |
| 3.9              | Data Analysis  | 97         |
| 3.10             | Ethical Considerations                                   | 100        |
| 3.11             | Mitigation of the Researcher Interference                | 101        |
| 3.12             | Conclusions  | 103        |
| <b>Chapter 4</b> | <b>BrAVA as a Case Study Organisation</b>                | <b>104</b> |
| 4.1              | Introduction   | 104        |
| 4.2              | The Founding of BrAVA                                    | 104        |
| 4.3              | Initial Funding Allowed Flexibility                      | 106        |
| 4.4              | Pressure for Change                                      | 108        |
| 4.5              | Impact on the Organisation's Goals and Mission           | 111        |

|                  |  |            |
|------------------|--|------------|
| 4.6              | Impact on the Organisations' Independence                | 115        |
| 4.7              | Implication for the Organisation's Governance            | 118        |
| 4.8              | Implications for the Organisation's Workforce Management | 122        |
| 4.9              | Impact on the Organisational Values                      | 126        |
| 4.10             | Conclusion   | 127        |
| <b>Chapter 5</b> | <b>The Refugee Council as a case study</b>               | <b>129</b> |
| 5.1              | Introduction   | 129        |
| 5.2              | The Founding of the Refugee Council and its earlier work | 129        |
| 5.3              | Flexible Funding Allowed Independence                    | 132        |
| 5.4              | Pressure for Change                                      | 134        |
| 5.5              | Impact on the Organisation's Goals and Mission           | 136        |
| 5.6              | Impact on the Organisation's Independence                | 138        |
| 5.7              | Implications for the Organisation's Governance           | 143        |
| 5.8              | Implications for the Organisation's Workforce Management | 145        |
| 5.9              | Impact on Organisational Values                          | 148        |
| 5.10             | Conclusion   | 150        |
| <b>Chapter 6</b> | <b>Shelter as Case study</b>                             | <b>151</b> |
| 6.1              | Introduction   | 151        |
| 6.2              | The birth of Shelter                                     | 151        |
| 6.3              | Initial Area of work rooted in advocacy based mission    | 152        |
| 6.4              | Pressures for Change                                     | 155        |
| 6.5              | Impact on the Organisation's Goals and Mission           | 158        |
| 6.6              | Impact on the Organisation's Independence                | 159        |
| 6.7              | Impact on the Organisation's Governance                  | 163        |
| 6.8              | Implication for the Organisation's Workforce Management  | 166        |
| 6.9              | Impact on the Organisational Values                      | 169        |
| 6.10             | Conclusion   | 172        |
| <b>Chapter 7</b> | <b>Cross-Case Analysis</b>                               | <b>173</b> |
| 7.1              | Introduction   | 173        |
| 7.2              | Impact on the Organisation's Goals and Mission           | 174        |
| 7.3              | Impact on the Organisation's Independence                | 183        |
| 7.4              | Impact on the Organisation's Governance                  | 194        |
| 7.5              | Impact on the Organisation's Workforce Management        | 206        |

|                        |  |            |
|------------------------|--|------------|
| 7.6                    | Impact on the Organisational Values  | 217        |
| 7.7                    | Conclusion   | 224        |
| <b>Chapter 8</b>       | <b>Discussion and Conclusions</b>  | <b>228</b> |
| 8.1                    | Discussion of the emergent issues from the study findings  | 228        |
| 8.2                    | Contribution to theory   | 234        |
| 8.3                    | Implications for Policy and Practice   | 238        |
| 8.4                    | Limitations of the study   | 245        |
| 8.5                    | Areas of further research.   | 247        |
| <b>References</b>      |  | <b>250</b> |
| <b>List of Figures</b> |  |            |
| Figure 2.1             | The Human Resource Management Cycle  | 60         |
| Figure 2.2             | A Schematic Model of the Traditional Voluntary Sector  | 77         |
| Figure 2.3             | A Schematic Model of the impact of the competitive pressures of New Public Management on the VSOs. | 78         |
| <b>Appendices</b>      |  |            |
| Appendix 1.3           | Chronological summary of developments in NPM Post Data collections in 2009                         | 270        |
| Appendix 3.2           | Interview questions  | 272        |
| Appendix 3.3           | Guide to the interview questions   | 273        |
| Appendix 3.4           | List of the respondents interviewed  | 273        |
| <b>List of Tables</b>  |  |            |
| Table 1                | The Voluntary Vs the Private Sector Models   | 11         |
| Table 4                | Timeline of Events in BrAVA's Organisational Life  | 107        |
| Table 5                | Events in the Refugee Council's Organisational Life.   | 133        |
| Table 6                | Timeline of Events in Shelter's Organisational Life.   | 154        |
| Table 7.2              | Impact on the Organisations' Goals and Missions  | 182        |
| Table 7.3              | Impact on the Organisations' Independence  | 192        |
| Table 7.4              | Impact on the Organisations' Governance  | 204        |
| Table 7.5              | Impact on the Organisations' Workforce Management  | 215        |
| Table 7.6              | Impact on the Organisational Values  | 222        |

# **Chapter One: Introduction**

The purpose of this study is to evaluate the impact of the competitive pressures of new public management on the voluntary sector organisations' (VSO) effectiveness. It is intended that the study provides empirical evidence on how VSOs are adapting to the public policy context and, an ever, increasingly competitive environment. In so doing, the study takes on and challenges 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. In part, therefore, as its theoretical contribution, the study is intended as a critique of the economic theoretical traditions that often hail competition as a panacea for improved organisational effectiveness and superior performance. The study provides empirical evidence on adaptation in the VSOs, and highlights the risk of advocating for VSOs' adoption of the private sector practices, without taking into consideration the distinctiveness of the voluntary sector. This chapter provides the rationale, aims and outline of the study.

## **1.1 The Rationale of the study**

Voluntary Sector Organisations are experiencing increased and serious threats to their survival due to dramatic changes in their environments. Central to the change in their environment, are the reforms in the delivery of public services to create a world class public service. The pressure for the reforms is as a result of criticisms of government performance, across the world, from all points of the political spectrum. Such critics have included financial institutions like the World Bank, OECD, the European Union, the business community, academic institutions, management consultants and the general public as taxpayers and consumers of public services. The criticisms against state provisions, around the world, have been that the state is inefficient, ineffective, too large, too costly, unnecessarily bureaucratic, unresponsive to public needs and failing in its provisions of public services, deserved by the taxpayers (Osborne and Gaebler, 1993; Jones and Thompson, 1999).

Such criticisms, combined with the effects of globalisation, government expanding deficits and technological advances, have led to the pressures for reforms of the public services to achieve a world class public service based on efficiency, managerialism, devolution and market initiatives, but responsive to needs of the tax

payers. This phenomenon, critical of the traditional bureaucratic model, has come to be known as New Public Management, and is driven by a belief that government services should more closely resemble what is provided within the private sector. In its early days, it was associated with right leaning governments like the Hawke administration in Australia, Reagan in the US and Thatcher in UK. However, it has since lost its ideological stripes. It is now true to say that it has become a common international phenomenon, embraced by even left leaning governments like that of Clinton in the US, Blair in UK and almost all member states of the European Union (Hood, 2000; Kettl, 2000, Nikos, 2001 p.39). Promising a smaller state and a bigger society, based on devolution, increased consumer choice, increased accountability to the taxpayers, and better performance management systems, new public management is seen as a powerful tool for improving standards of public services. It is also seen as a powerful tool for achieving greater accountability and transparency in service delivery, and as a means of reinforcing democratic principles by empowering the citizens through market forces.

As a result of these pressures, In UK, the state has increasingly rolled back its frontiers and, the number of voluntary service organisations (VSOs) and competitors from the private and public sectors have increased, based on the concept of increasing the diversity of providers to achieve competition. However, this is at a time when there is reduced government funding, a shift from grants to service contracts, increased competition for foundation, corporation and individual donor support. As a result of the impact of the global recession which continues to squeeze and reshape economies around the world, funding from foundations and corporations is increasingly on the decline. While at the same time, because of an increasingly reduced disposable income, individual donor support is on the decline. Therefore, in the more recent years, competition between the voluntary sector and across sectors has intensified.

The reforms, however, have also created opportunities. Firstly, VSOs can now compete for contracts to deliver public services, which previously were an exclusive domain of the public sector (Blackmoore, 2004; Chew, 2009). Secondly, VSOs can now more effectively participate in the delivery of public services, enabling them to extend their service provisions. However, this service provision is based on needs as

determined by the funders. In addition, service provision is based on contract compliance driven by performance management and demonstration of organisational learning. Therefore, VSOs must demonstrate professionalism and adoption of private sector practices in order to win contracts (Alexander 1999; Alexander, 2000; Harris, 2000; Eikenberry and Kløver, 2004; Marshall, 2007; Strichman, Bickel and Marshood, 2008; Benjamin, 2010).

This new mode of delivery of public services, driven by new public management assumptions, assumes the efficiency of markets and the value of competition as a strategy for improving organisational performance, and the conception of management as a generic practice perfected by the private sector (Kaboolian, 1998). In commissioning services, this new managerialism requires entrepreneurial leaders who emphasise the values of efficiency, economy, and effectiveness (Terry, 1998). It requires managers to place their trust in markets and the contracting process, define goals and outcomes for the contracted services, giving the managers discretion in how those goals are met, and relying on performance measurement to define whether or not programmes are working. These new public management assumptions are discussed in greater details in section 2.1 of the next chapter.

Neo institutional theorists predict that, over time, as a result of mimetic pressures organisations will adopt the professional norms, standard operating procedure and other identified rules that would enhance an organisation's legitimacy, and in turn the organisational prospects for survival (Zucker, 1987, p445). DiMaggio and Powell (1983) have referred to this process of institutionalisation as isomorphism. As a result of the process of isomorphism, and as posited by the neo institutional theorists, these concepts are also being enforced by other funders like the grant making trusts (Blackmoore, 2000; Baorong, 2006; McDonald, 2007; Benjamin, 2010). Therefore, even other funders are increasingly emphasising the need for the VSOs to adopt business-oriented practices. In addition, funders expect VSOs to professionalise their management practices, demonstrate measurable outcomes and increased efficiency (Le Roux and Wright, 2010).

Overtime, many VSOs have been able to successfully compete, and now have financial relationships with the state as their main contractor. Such relationships are based on successful competition for tenders, and are focused on continuous

improvement, professionalisation and performance management. As a result, over the years, provision has shifted, from direct provision by large, state owned bureaucracies under the hierarchical control of the professional cadres of public services, to quasi independent operational units connected through contracts and varying degrees of arms length control (McLaughlin and Osborne, 2006). Within this context, more and more resources have been transferred from the public sector to the VSOs based on contracts and market based mechanisms and the voluntary sector has rapidly expanded in UK, but within an increasingly competitive environment (Salamon and Anheier, 1999; Audit Commission, 2007).

In 2008/07, there were 171,000 organisations registered with the Charity Commission<sup>1</sup> (NCVO, 2009), compared to 98,000 in 1991. Between them they commanded an income of £35.5 billion and had an operating expenditure of £32.8 billion, employing 668,000 staff approximately 2% of the total of the UK workforce. In the financial year 2008/2007, £12.8 billion of the sector's income was from the statutory sector, based on contracts for public service delivery. Therefore, the majority of the workforce were involved in the delivery of public services, previously a domain of the public sector (NCVO, 2009). The growth of the voluntary sector, based on statutory contracts, to deliver public services has been so dramatic that it has recently attracted a parliamentary inquiry (HMSO, 2008).

In order to survive the fierce competition, VSOs must successfully compete against the private and public sector providers for contracts. However, this requires that they demonstrate continuous improvement, professionalisation and increased accountability as a result of better performance management systems and procedures, which are assumptions of new public management. Organisations must therefore adopt the private sector practices to be able to effectively compete and service the contracts once they win them. However, it is argued, that as an organisation's relevant environment changes, that organisation must undergo comparable and often rapid change in order to survive and succeed (Salipante and Golden-Biddle, 1995; Balabinis et al. 1997; Alexander, 2000; Chetkovich and Frumkin, 2003). Therefore, the competitive process for contracts against the private and public sector organisations must have an institutional transformational effect on

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<sup>1</sup> Charity Commission is the regulatory agency governing activities of the Voluntary sector in UK.

the voluntary sector.

However, it has become a generally accepted truth across the voluntary sector world that VSOs must adopt the best practices of the private sector business world, in order to survive (Kettl, 1997; Terry, 1998; Alexander, 1999; Alexander, 2000; Eikenberry and Kluver, 2004; Baorong, 2006; Strichman, Bickel and Marshood, 2008). Such management models emphasise customer focus (Cairns et. al., 2005; Barman, 2007; Benjamin, 2010), 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).

These advocates assume no distinction between the public, private, or VSOs. According to these scholars, "management is management" (Peters, 1996, p. 28) and therefore they assume the universal or generic character of private-sector management practices. They also assume inherent structural similarities between organisations in both the voluntary and private sectors (Peters, 1996). With the increased competition and the pressure for organisational survival, the environment dictates that VSOs acquire the efficiency, flexibility, innovativeness, and discipline, traditionally represented in the competitive private sector world (Alexander, 2000).

More recent, these competitive pressures, threats to VSOs' survival, and the need to adopt the private sector practices have been intensified with the coming in of the coalition government, making the subject of this study even more topical. In its public policy pronouncements, based on well known central tenets of new public management, the coalition has promised a "Big Society", and signalled radical cuts in public sector spending, some of which it has already aggressively effected. Echoing criticisms levelled against governments around the world, the coalition government has criticised the state as often inhuman, monolithic and clumsy and that it has grown too large and unwieldy, burdening business and locking people in a welfare dependency (HMSO, 2011).

It has, therefore, promised a smaller state based on increased decentralisation, where communities are empowered and encouraged to take on a more active role in



their communities. VSOs are to be encouraged to even deliver more public services, but in a context of increased diversity of providers and based on the principles of; increased choice, competitiveness of provisions and increased accountability. Competitiveness of provision is to be characterised by a diversity of providers from the public, private and voluntary sectors competing as “equals” in a level playing field, where new providers challenge under performance based on results (HMSO, 2011). These policy measures signal the need for the VSOs to professionalise and the need to achieve greater efficiency and effectiveness. However, according to the government’s own figures, VSOs are to lose nearly £3 billion in cuts over the spending review period 2011 – 2015, increasing the threats on organisational survival (NCVO, 2011). This very dramatic decrease in public spending, mean that, many organisations face the very real challenge of having to do more with less, and in some cases with nothing, which may mean closure. So the pressure for VSOs to adapt is even more intense today than never before.

However, there are fundamental issues around the applicability of the concepts of new public management, within the management of the voluntary sector. Firstly, there are questions around the efficiency of markets and the value of competition as the underpinning strategy for improving organisational performance and achieving a world class public service. Secondly, there are questions about the perceived inherent structural similarities between the private and VSOs.

New public management assumptions, assumes a conception of management as a generic practice perfected by private sector practices: customer focus, market based competition, entrepreneur management and performance management, as strategic issues that can contribute to bringing about the desired world class public service. So on one hand the aim of the reforms, has been to create institutional and organisational contexts which as much as possible mirror what is seen as critical aspects of the private sector *modes of organising and managing the delivery of public services* (McLaughlin and Osborne, 2006). Based on this assumption, the VSOs are added in the delivery of public services, partly, to create a more diverse and a more competitive supply base, where public service providers compete against each other for contracts. Therefore, in market like structures, VSOs compete

against the public and private sector providers for contracts to deliver public services.

It is assumed that such competition creates a “self improving system” because, in competitive markets, based on the forces of demand and supply, contracts provide a mechanism by which the supply of private services is organised (Harden, 1992). In so doing, contracts resolve the tensions of what should be produced, supplied, at what cost and who should get it. The assumptions are that, underlined by the forces of demand and supply, the balance of power is shifted from the suppliers to the users of public services. This is because, in private markets, consumers have the sovereignty (Potter, 1988). But also, it is assumed that competition enhances customer access, responsiveness of services, choice of services and that it increases provider efficiency (Le Grand and Bartlett, 1993). A combination of such factors is assumed to increase users’ satisfaction and to enhance best value for money (Potter, 1988).

However, it is argued that there is no evidence that even in the private sector, contracts and competitive practices, in themselves, are a particularly effective means of achieving efficiency and effectiveness of service delivery (HMSO, 1993). In addition, many practices being adopted from the private sector are not used, in the private sector, for purposes that they are being adopted for in the voluntary sector. Secondly, human services, especially health and social care, that in the main VSOs provide, are different from other market based goods and services (Stewart and Walsh, 1992; Flynn, Williams and Pickards, 1996). They are delivered to vulnerable end users with outcomes which are difficult to define or to measure (Wistow and Hardy, 1999).

The second main challenge of applicability of new public management assumptions into the voluntary sector is that the assumed inherent structural similarities between organisations in both the voluntary and private sectors is a false assumption. There are fundamental differences between the private and the voluntary sector (Leat, 1995; Paton, 2000; Marshall, 2007; McDonald, 2007; Benjamin, 2010). The substance of traditionality of the VSOs takes the forms of advocacy or social value based goals and missions which shape the organisational values, resource acquisition, governance and workforce management, passed down from generation

to generation through volunteer and staff leadership (Salipante, 1992; Salipante and Golden-Biddle, 1995). But what is the voluntary sector?

The voluntary sector is a large and growing part of what is termed as Civil Society (Harris, 2001). Civil Society entities cover a wide range of groups, societies and organisations which share common values and institutional beliefs. Such belief includes voluntary association and practices and the retention and application of surpluses for social purposes (Hall, 1987; Harris, 2001). Such organisations include housing associations, universities, independent schools, trade unions, political parties and cooperatives. These are sometimes interchangeably referred to as Third Sector organisations, to include any organisation that occupies space between the public and the private sectors (Harris, 2001). Or, as Non Government Organisations, a term often used in international development, to refer to organisations neither public nor privately owned, engaged in international development and working overseas. Sometimes, however, civil society organisations are also referred to as Charities, a term most often used to specifically refer to organisations registered with the Charity Commission. At the core of the Civil Society movement, is the Voluntary Sector, as another often used generic term (Kendall and Knapp, 1995).

Voluntary Sector is a term more often than not recognised in reference to non profit organisations and charities. However, there is lack of clarity about what the 'voluntary sector' is and what it is not (Marshall, 1996; Osborne, 1993). It is sometimes viewed as that which is not for profit (not private) and not statutory (public). This view however does not say what the voluntary sector is or what it is not (Marshall, 1996). In this study, therefore, the term 'voluntary sector' is used to refer to voluntary organisations that are formally constituted, self governing, private entities, not distributing profit to any owners and benefiting from voluntarism either through donations of money or volunteers' time (Knapp, 1996). They would have charitable status, and therefore would be registered with the Charity Commission.

The study uses the term to mean organisations formally structured in an organisational form, constitutionally and institutionally separate from the statutory and private sectors. They would be self governing and truly independent organisations. They would exist with a purpose, not solely to benefit their own members, but with a wider public benefit remit (NCVO, 2009). Such a definition

therefore, includes all the registered Charities and all NGOs as long as they are registered with the Charity Commission. It however excludes other civil society organisations like schools, Housing Associations, Trade Unions and Political Parties that may not meet the criteria above, and which may not be registered with the Charity Commission.

VSOs occupy all spheres of society providing a wide range of services, ranging from providing a safety net below the public sector provision net, through to campaigning for inclusion of services for the marginalised communities (Harris, 2001). They deliver a great variety of services to society ranging from health and social care, through to education, advocacy and eradication of poverty for instance in the developing countries. Traditionally, voluntary sector organisations have generated their incomes in forms of public donations, flexible grants from the private sector, public sector and from trading e.g. from charity shops.

Therefore, VSOs have significant differences from the private sector organisations (Leat, 1995). Around goals, mission and organisational values, according to the neo-classical competition theory, private sector organisations (PSO) primarily exist to maximise profits (Langlors, 1986; Walsh, 1995). Therefore, their goals and missions, fundraising, governance, workforce management and organisational values, are all aligned to searching for a competitive advantage and maximising wealth for the shareholders (Eldenbug et al, 2001). Their value model stresses the value of competitive positioning in order to more effectively compete, risk taking and the discipline of efficiency in order to maximise profits. As a result, delivering on their organisational goals, objectives and strategies are all aligned to such values.

However, VSOs principally exist with advocacy or social value based missions to meet the unmet needs as a result of the inadequacies or shortcomings 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). They provide goods and services for those a) that may filter through public sector provisions b) those that would not have access to such services if they were provided in the market, and c) that confer public benefit for which no market would otherwise exist (Hodkinson and Nelson, 2001). They are driven by the values 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.

Within the private sector, resource acquisition is an end in itself. 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 advocacy value based missions, or meeting needs that government cannot see, or may be choosing not to see. It is about raising resources to pioneer new approaches to meeting unmet needs and working with people in ways that really meet their needs.

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. So, 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 the individual's contribution towards an organisation's profitability, return on investment or market share.

However, across the voluntary sector, governance is not about monitoring performance. It is about achieving democratic accountability, broad based governance, civic engagement, engaging the service users in the decision making process and offering a training ground for the civil society to achieve greater participation in the democratic action. So in its workforce management, the main drive of the voluntary sector is focus on collectively meeting the organisational goals and mission, based on an intrinsic psychological contract that encourages voluntarism, informality and diversity. It is this voluntary sector ethos, that encourages the workforce paid or unpaid, to exert extra energy, and remain associated with an organisation's influence or behaviour in relation to its goals and missions.

These differences are summarised in Table One, hereunder, and these themes are returned to in the next chapter. However, it is because of these characteristics, that the voluntary sector is seen as an alternative provider of choice in the delivery of

public services (HM Treasury, 2002). VSOs are valued because of their advocacy and social value based missions, legitimacy as independent actors, broad based governance and democratic accountability, voluntarism, informality, diversity, responsiveness to users' needs and because of their traditional values and ethos. In addition, VSOs are valued because they are believed to be more cost effective, innovative, flexible and pioneering (Leat, 1995; Knapp, 1996). They are believed to have the specialism and expert knowledge of the services that they deliver or the geographical areas where they operate, and can often access even the "hard to reach" communities.

It is these characteristics that bestow legitimacy, endear the VSOs to society to receive public donations, exemptions from certain taxation and lead to mistrust of the private sector as profit seekers for selfish ends. The voluntary sector is believed to be able to reach marginalised groups, and to enable individuals to participate more actively in their local communities, bringing in skills and experience that adds value to service delivery and produce high quality services well targeted to the specific needs of the diverse groups of service users. It is these distinguishing characteristics that constitute the perceived VSOs' effectiveness (Wolfden Committee, 1978; Knapp, et al, 1990; Billis and Harris, 1996; HM Treasury, 2002).

**Table 1 The Voluntary Vs Private Sector Models.**

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

As a result of the above paradoxes, there are fundamental issues around the applicability of the concepts of new public management, within the management of the voluntary sector based on a false assumption of inherent structural similarities. It can be reasonably assumed that adopting private sector practices and the competitive process for contracts against the private and public sector organisations would have a significant transformational effect on the VSOs. Therefore, the changing landscape raises fundamental questions about the impact of the competitive strategies that the VSOs may adapt in order to survive in such a highly competitive environment. Or, despite the pressure to adapt, would VSOs behave differently, from their public and private sector competitors, in the market place?

However, if VSOs adapt and become more “businesslike” to mirror the private sector, what would be the rationale of including them in the mixed economy of service provision? Or, what would be the justification for giving the voluntary sector its special tax privileges or asking the public to donate money and time to them? Fundamentally, it raises questions about the possible impact of such competitive strategies on the voluntary sector effectiveness. Therefore, for purposes of this research, this study asked as the main research question:

If a voluntary sector organisation is to adopt the private sector practices to be able to more effectively compete, demonstrate effectiveness and continuous improvement, how would that impact on that VSO's effectiveness?

As sub questions, aligned to the goals and missions, resource acquisition, governance, workforce management and organisational values, the study asked:

- What would be transformational effect of a VSO if it is to align its goals and mission to the goals of the private sector to achieve mission congruence?
- What would happen if a VSO is subjected to the competitive pressures of new public management and has to depend on resources extracted from the environment?
- What would be the transformational effect on its internal governance structures and profile, if a VSO has to realign its governance to the private sector governance model?

- What would be the transformational effect on a VSO, if it is to align its workforce management to the private sector workforce management model?
- What would be the transformational effect of superimposing the private sector value model on the institutional frameworks of the voluntary sector?

## **1.2 Aims of the study**

There is a lack of empirical research on how voluntary sector organisations have responded, in terms of their adaptation to a changing external environment and policy context to answer such questions (Bendell, Boutler and Goodstadt, 1998; Paton, 2000; Chew, 2006; Chew and Osborne, 2009). Like many other areas of management in the voluntary sector, little attention has been paid to the impact of such competitive pressures on the VSOs' effectiveness (Bendell, Boutler and Goodstadt, 1998; Paton, 2000). There are only a few evaluative pieces of research available on application of private sector managerial practices into the management of VSOs. Most of the reviews tend to be based on pilot initiatives rather than in-depth longitudinal studies, therefore not establishing cause and effect relationships (Paton, 2000). They tend to be descriptive and normative in approach, and hardly describe the research methodology used for data analysis. In the main, therefore, much of the said evidence on the effect of such competitive pressures on the VSOs effectiveness is anecdotal.

Not much, therefore, is known about what impact such adaptive strategies may be having on the health of the VSOs (Alexander, Nank, and Stivers, 1999; Alexander, 2000; Chew and Osborne, 2009). The inner intricacies of VSOs, experiencing drastic competitive pressures and having to adapt to ensure organisational survival, are not known. As a result, clear conceptual framework and empirical studies to guide research and inform voluntary sector management policy and practice are lacking. There is therefore, a need for studies to help answer the questions asked, help provide an empirical base for a theoretical understanding of the impact of VSO' s adaptive strategies as a result of their competitive pressures, and to help inform voluntary sector policy and practice.

The purpose of this study, therefore, is to evaluate the impact of the competitive pressures of new public management on the VSOs' effectiveness. Through a



detailed and longitudinal case study of three VSOs, the study examines how the change in the nature of funding, driven by the competitive pressures, is impacting on the goals and missions, resource acquisition, governance, workforce management and the values of the VSOs. In so doing, the study takes on and challenges 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. In part, therefore, the study is a critique of the economic theoretical traditions that often hail competition as a panacea for improved organisational effectiveness and superior organisational performance.

It is intended that the study contributes to theory and practice by extending knowledge on organisational adaptation, beyond the private sector into the voluntary sector, by highlighting the risk of a blanket adaptation of the private sector practices, as advocated, without taking into consideration the distinctiveness of the voluntary sector or the contextual variations. It is hoped that the study will provide the first stepping stone for similar more empirical studies to develop specific theoretical models and conceptual frameworks carrying private sector practices forward into the voluntary sector. By revealing the impact of public policy developments and the external environmental pressures on the voluntary sector, it is also hoped that the study will demonstrate a need for further similar empirical studies to guide research and inform voluntary sector management policy and practice.

### **1.3 Outline of the study**

In undertaking this study, the researcher sought theoretical models that could provide an understanding of how social processes would determine the efficacy of VSOs in such a competitive environment. The neo-institutional theory and the resource dependency theory, as adaptive theoretical models that can help researchers predict organisational behaviours, were in particular preferred (Salipante and Golden-Biddle, 1995; Balabinis et al. 1997; Alexander, 2000; Chetkovich and Frumkin, 2003). This is because, the neo-institutional theory emphasises the role of normative pressures in an organisation's quest for survival (Perrow, 1961; Zucker, 1987). Applied to the voluntary sector, it can help provide an understanding of how social processes would determine the efficacy of VSOs and hence the limits to the

commercialisation of their services. The resource dependency theory was also found most relevant because it imagines a free market environment in which organisations are rational entities competing for resources (Pfeffer and Salancik, 1978). In this context, the VSO's effectiveness is defined in terms of its ability to exploit its environment in the acquisition of scarce and valued resources, making it a very relevant theory (Yutchman and Seashore, 1967).

So using the two theoretical models to provide an understanding and prediction of possible organisational behaviours, under the competitive pressures, based on the research questions and also based on the paradox introduced earlier in this chapter, five propositions were developed. The research project then set out to evaluate whether these propositions are born out in practice in an empirical study.

The study was designed as a qualitative comparative case study inquiry to provide answers to specific questions through a triangulated wide range of data collection methods. The Case Study approach was preferred, partly because much of the material sought was iterative in nature, and concerned with questions that are matters of perspective and judgement requiring contextual examination of relationships between process and context at the different levels of organisational analysis. But also, the study required a method that allows collection of data that is processual, with emphasis on action as well as structure overtime, taking into account analysis of the historical evolution of ideas and actions for change as well as the constraints within which the decision makers were operating. So, because of its versatility, the case study research method was preferred.

The study focused on three case organisations, BrAVA, the Refugee Council and Shelter, where the impact of the competitive pressures of new public management was evidently observable. Change had occasioned a high degree of concern amongst their stakeholders and within their organisational processes. The overall context of the pressures leading to adaptation at the three case study organisations was in essence shaped by changes in the delivery of public services. All the three organisations experienced the pressures of reduced government funding, a shift from grants to service contracts, increased competition, professionalisation and greater accountability, through performance management, to demonstrate increased efficiency. The changes in their environments posed serious threats to their

organisational survival and their competitive pressures required that they adopt private sector practices and management models.

The study covered the period 1998 to 2009. However, some of the data collected, for instance; with Refugee Council and Shelter, dated way back pre 1998. The data was collected over the period December 2008 and July 2009, using a) archival materials, b) interviews with key informants and c) examinations of newspaper articles, trade journals on the cases, observation at board of trustees meetings and participation in on online discussion groups.

The study also immensely drew from the long term professional and practical work experience of the researcher as a senior practicing manager within the voluntary sector. For over five years, the researcher was the chief executive of BrAVA. Before that, for over six years, the researcher was a senior services manager with the British Red Cross. He has also previously worked with the public sector, with Joint Commission in Bromley, managing services on behalf of the local and health authorities. For many years, the researcher has also been a trustee with the the Refugee Council, one of the case study organisations, and with Concern Worldwide (UK) an international development agency. He is also previously a member of the Expert Advisory Panel to the Audit Commission, advising the Commission on the performance management of the local authorities and their partners around the Comprehensive Area Assessments. Therefore, the researcher's professional and practical experience as a senior practicing manager within the voluntary sector, dating back for over 20 years, added value to the study. It enabled the researcher to develop a reflective assessment of the changes that the VSOs were experiencing, and this greatly enriched the process of data collection, analysis, conclusions and recommendations.

It is, however, over one and half years since the data was collected. A lot has happened since in the field of new public management and the researcher is aware of those developments. To bring the reader up-to-date, a chronological summary of developments in New Public Management post the data collection in 2009, is added as appendix 1.3. Overall, the summary proves that the competitive pressures, as a result of the assumptions of new public management have increased and continue radically transforming the VSOs.

As its theoretical premises, the study was undertaken as part of the requirements of the Doctorate of Business Administration (DBA), a senior practitioner degree, at Kingston University. Unlike a traditional PhD, the DBA is a bridge between academic knowledge and professional practice, where a scholar-practitioner, seeks real solution to a real management problem. In undertaking this study, the requirement has been that the study is grounded in management theory, and that the study reflects the eclectic nature of management through an inter/multi-disciplinary study. Consequently, the study has had to be applied in scope, reflecting and addressing business or a management problem that is current and considered to be important in nature. The study has had to provide new understanding and insights, as well as evidence that it can lead to better practice. Therefore, the focus has been, as required by a DBA, to making a contribution to management practice and policy and not creation or testing of theory, to make significant contribution to theoretical knowledge, as would be required by a PhD.

As with a PhD, the study shares the essential feature of precision of thought, and an awareness of what others have previously written about an issue. However, the scope of this study focuses on making a contribution to the enhancement of trans-disciplinary professional practice in the management of VSOs, as well as a contribution to knowledge through the application and development of theoretical frameworks, methods, and techniques, but does not intend to create or test theories as a way of adding to theoretical knowledge. Where a relevant theory is discussed, it is adopted on the basis of its prominence in the literature, and it has not been possible to go into the literature discussing all the other relevant theories to the discourse, as that might have represented a digression from the focus on addressing a management issue.

In addition, this study is focused on organisations, as defined earlier in this chapter, that are formally structured, self governing and independent in an organisational form. It is focused on VSOs that are constitutionally and institutionally separate from the statutory and private sectors, existing for the wider public benefit and registered with the Charity Commission. The study, therefore, does not include the wider civil society organisations like schools, Housing Associations, Trade Unions and Political

Parties that may not meet the criteria above, and which may not be registered with the Charity Commission.

Apart from this introduction, the study is organised into four major parts; the theoretical model (chapter two), the research method (Chapter three), the empirical findings (Chapters four, five, six and seven), and the discussion and conclusions (Chapter eight).

**Chapter two;** in constructing the theoretical model the study presents and discusses the new public management assumptions. Thereafter, against the traditional ethos of the voluntary sector, the study draws out the private sector practices around goals and mission, fundraising, governance, workforce management and organisational values, presenting a paradox that requires a rethink of the applicability of new public management values within the voluntary sector.

**Chapter three;** presents the methodological basis of the study. In this chapter, the theory of the method that guided the study, why a case study approach was preferred, the data collection, analysis, the ethical considerations and how they were managed, are presented and discussed in details.

**Chapter four;** presents the first part of the empirical findings. BrAVA was selected as an example of how organisations with advocacy value based missions were managing amidst the fierce competition. Founded with an advocacy value based mission, to represent and build the capacity of the VSOs in Brent, BrAVA activities, as at 2009, had changed, and were largely funded by the public sector.

**Chapter five;** The Refugee Council was selected because it had taken on a contract with the government that contractually required it to act in the best interest of the Home Office, against its founding values. This raised the organisation's income from seven to over £60 million. However, eventually the organisation was forced to withdraw from the contract and its income tumbled down to less than £20 million.

**Chapter six;** Shelter was selected because it was very much in the press. It had been twice awarded as the British employer of the year by Britain's Top Employers™, as a result of its excellent employment track record. However, as a

result of higher unit costs, in 2007, the organisation was forced to fire and rehire all the staff with increased workloads but downgraded new contracts and lower salaries.

**Chapter seven;** *In this cross-case analysis*, the study applies the conceptual model developed in chapter two to draw conclusions on the impact of the competitive pressures of new public management on the VSOs' effectiveness, based on its transformational effect on goals and mission, independence, governance, workforce management and organisational values.

**Chapter eight;** *In this discussion and conclusion chapter*, the study discusses the emergent issues and presents the theoretical contributions of the findings of this study, the conclusions and its contributions to policy and practice, together with the study limitations and areas of future research.

## **Chapter Two: Literature Review**

### **Section 2.1: Introduction**

This chapter provides the conceptual model that underpins the study. In section 2.2, the assumptions of new public management as the driver of the reform movement are outlined, to provide the theoretical framework underpinning the competitive pressures that the VSO are responding to. In section 2.3, the resource dependence theory and the neo institutional theories, as the dominant organisational adaptive theories, are introduced. Assumptions of new public management and the themes of the adaptive theories are thereafter applied throughout, in this chapter and study. In section 2.4, 2.5, 2.6 and 2.7, based on the literature review, to draw out the paradoxes, the study explores the differences between the private and voluntary sector organisations. Emphasis is placed on their differences around goals and mission, resource acquisition, governance, workforce management and organisational values. Thereafter, in each of the section, using organisational adaptive theories, the study predicts the possible organisational adaptive strategies, how such strategies may impact on the organisation's effectiveness and concludes with five propositions that are tested out in an empirical study.

### **Section 2.2: New Public Management as a driver**

This section is intended to provide the theoretical framework underpinning the competitive pressures that the VSOs are responding to, in order to ensure organisational survival. In the first part of the section, the assumptions underpinning the new public management philosophy are presented and discussed. The latter part of this section introduces the resource dependence and neo-institutional adaptive theories that throughout, in this chapter and study, have been used to underline the inevitability of adaptation.

The competitive environment is driven by a reform movement aimed at achieving world class public services, often known as the new public management (Hood, 1991; Kettl, 1997; Terry, 1998). New public management (NPM) is based on two assumptions. First, it is underpinned by the assumption that the efficiency of markets and the value of competition should underpin the strategy for improving

organisational performance. Secondly, that management is a generic practice perfected by the private sector practices (Kaboovian, 1998). It therefore emphasises, in an interrelated way, customer focus, market based competition, entrepreneur management and performance management as strategic issues that could contribute to bringing about the desired world class public services. Therefore, if VSOs are to effectively compete in the market, they are expected to professionalise their management practices, demonstrate measurable outcomes, increased efficiency and organisational effectiveness. Of necessity this challenges the old VSOs' paradigms and reconfigures the rules of survival (Kettl, 1997; Terry, 1998; Alexander, 2000). These assumptions are explored further hereunder.

**Customer Focus:** The Customer Focus assumption, seeks to transform the culture of public organisations, including encouraging employees to think about citizens as “customers” to be served instead of as “clients” to be managed. The assumption also seeks to focus on individual performance and adding value in what they do, thus helping people achieve their agencies' objectives and continuously improve their agencies' performance. Advocates of this assumption argue that working constantly to enhance service delivery “bottom up” instead of “top down”, and establishing a system of co-operation among government workers from different agencies, are the keys to real service improvement. It is claimed that this can lead to “continuous improvement” which is the only means to replace bureaucratic control within the public sector.

The assumption is an outgrowth of the “Total Quality Management” movement championed by Deming (1986). It also consists of an updated version of an older tradition embodied in the work of Frederick Winslow Taylor (Pollitt, 1990), as well as a complex mixture of public choice theory and agency theory (Boston, Martin, Pallott, and Walsh, 1996). At the core of continuous service improvement is the *Making Managers Manage* philosophy aimed at empowering managers by breaking down restrictions on managers' flexibility. According to this assumption, management is a separate and distinct organisational function and one that plays the crucial role in planning, implementing and measuring the necessary improvements in productivity. As a result, business success depends on the quality and professionalism of the managers. Therefore, this belief aims to give the managers greater freedom in



solving administrative problems, with the discretion shaped by market incentives. Proponents of this movement argue that focusing managers on the problems that have to be solved, and then giving them the flexibility to solve them promotes organisations that can adapt and that work better (Senge, 1990, p. 231; Barzelay, 1992; Howard, 1994; Kettl, 1994; Benjamin, 2010). This, in turn, focuses the managers on prioritising needs of the customers.

The philosophy is guided by the belief that public managers are highly skilled and committed individuals who already know how to manage. Therefore, the supposedly poor performance of the public sector bureaucracies is not the result of managerial incompetence or malfeasance. Rather, it is the result of a bad system, overburdened by a plethora of cumbersome and unnecessary regulations and other constraints. According to this assumption, the system makes managers chained to standard operating procedures, limited in vision and only reactive to change. The assumption therefore, is that public managers are "good people trapped in bad systems" (Gore, 1993). To improve the performance of public bureaucracies, managers must be liberated from the shackles of government red tape; politicians and others must "let managers manage" (Boston, Martin, Pallot, and Walsh, 1996; Kettl, 1997).

Therefore, to liberate the managers from the bureaucratic system, first, you need to introduce competition to develop a viable strategy for improving the performance of public bureaucracies. This is because, proponents claim, competition lowers costs and increases efficiency (Hood, 1995a). Champions of such market-driven approaches argue that, exposed to market forces, public managers will increase their performance levels (Boston, Martin, Pallot, and Walsh, 1996; Kettl, 1997). Secondly, the advocates of these changes claim that one should adapt the generic character of private-sector management. Such scholars assume that the private-sector practices and technologies are inherently superior to those used in the public sector (Peters, 1996, 21). Finally, that to achieve continuous improvement, it is argued, one has to shift from demand-driven governance, where success often is defined by how many programmes are passed (outputs) to a results-driven governance, where success is defined by programs' outcomes. In a broader context, this represents a shift from measurement of the number and quality of activities to

measurement of the broader results produced and weighed against the programme objectives. Each of these concepts is discussed in details hereafter.

**Market driven approaches:** Guided by a philosophy of a diversity of providers competing against each other for contracts, in the main, market driven approaches are rooted in the rational neoclassical economics belief in the efficiency of markets (Peters, 1996) and are championed by external consultants and public management practitioners (Boston et al., 1996). They argue that the absence of competition in the delivery of public services “generates complacency, conservatism and the failure to put the needs of citizens first” (Hindmoor, 2002: 290). Therefore, through competition, markets can help drive standards up and the competitive pressures help drive out inefficiencies. Inevitably, where there are no markets and diversity of providers, public sector managers should provide incentives for entry into the market, to create competition.

So through competitive markets, the state contracts independent providers, from either the private, public or voluntary sector, to deliver public sector services which otherwise the state should have provided. The providers are given contracts of a specified duration between one to three years, specifying the goals, performance standards and required results by which they would be judged (Kemp, 1990; Campbell and Wilson, 1995). Top managers are hired by contract, rewarded according to their performance, and can be sacked if their work does not measure to standard. The contracted agencies, arguably, becomes an extension of the state linked through an arm’s length contract (McLaughlin and Osborne, 2006).

Largely based on the concept of individualism and the ‘survival of the fittest’ “competition may not accord with a desire for the public good” (Tyson, 1987, p. 76). Genuine reform must constantly seek a balance between the new mechanisms to provide efficiency while retaining a sharp focus on the ageless question of the public interest. However, proponents argue that competition is a viable mechanism to drive a strategy for improving performance because it is assumed to lower costs and increase efficiency (Hood, 1995). Champions of such market-driven approaches believe that public managers will increase their performance levels if exposed to market forces (Boston et al., 1996; Kettl, 1997).

**Entrepreneurism:** Advocates of market driven approaches, in public service delivery, also assume that private-sector practices and technologies are superior to those used in the public sector (Peters, 1996, 21). Such advocates argue that, the distinction between public and private management is an illusion; "management is management" (Peters, 1996, 28). This is assumed to be true whether one speaks of the management of public, private, or VSOs. So they assume the universal or generic character of private-sector management practices. However, the private sector practices are normally premised on the concept of minimising costs to maximise profits.

In the context of public service delivery, this would mean doing more with less resource, which may be aggravated by greater political pressures. Potentially, this could lead to morale problems. Secondly, it would involve transforming old systems to meet new problems and adopting new methods to old systems. As a result, there would be a challenge of finding workers with the skills to cope with such significantly greater responsibilities, motivating them to achieve high performance and managing their morale against such a results oriented focus. But also, there would be challenges of managing greater demands against the fewer resources and developing the ability of the managers to steer through such radical changes. Entrepreneurial managers may be recruited from the private sector to bring in the skills required. However, they would be much more used to serving the narrow profit motive and not necessarily the public interest. In addition, tough performance contracts and monetary rewards alone cannot supply adequate incentives. The best private employers around the world look on their employees as assets, not costs. They focus on their people as the most important tool to serve their mission (Tyson, 1987, p.76; Kettl, 1995; Kettl and Dilulio, 1995).

However, proponents of market based mechanisms hold the entrepreneurial model in high esteem (Osborne and Gaebler, 1992; Gore, 1993; Light, 1997). Such scholars argue that business oriented practices, can lead to cutting of red tape, empower the employees, increase customer satisfaction and transform organisations into lean, mission-driven, results-oriented enterprises. Entrepreneurialism therefore, they argue, leads to improved organisational performance (Ramamurti, 1986; Doig and Hargrove, 1987; Eggers and O'Leary, 1995; Schneider, Tske and Mintrom,

1995; Nancy Roberts and King, 1996). It is, therefore, "indispensable that public affairs be conducted on business principles" (Haber, 1964; Nelson, 1982, 120; Terry, 1995).

### **Performance management:**

The effort to set goals, measure results, and use the analysis to guide policy decisions is critical to the global new public management revolution. Largely based on the work of Peters and Waterman (1984), performance management places greater attention to customers and their satisfaction. It involves the selection, definition and application of performance indicators, which quantify the efficiency and effectiveness of service delivery methods (Fine and Synder, 1999; Le Roux and Wright, 2010). Its argument is that, citizens and elected officials alike want problems solved. For instance, they want police agencies to make citizens safe, and health agencies to make people healthier. Such agencies ultimately succeed only to the degree to which citizens feel safe and people enjoy good health. Thus, the fundamental logic of performance measurement drives the process toward outcome measurement, defining the difference made as a result of the programme intervention. It leads to a much more expansive view of budgeting by linking allocation decisions and their results.

The potential benefits of performance management, proponents argue, is that focus on outputs; what activities do our inputs produce, fails to answer the basic question of whether citizens' problems are solved. However, a focus on outcome measures helps answer the basic question; do programmes work? Firstly, this can help everyone in the process think more strategically. Secondly, it can help managers focus more on how to do their jobs better and explain to the elected officials how they are trying to translate legislative goals into results. Thirdly, it can help elected officials weigh competing claims for scarce resources and put the money where it will do the most good. Most importantly, it can help citizens understand better what value they receive for the taxes that they pay.

However, performance measures of any kind are extremely difficult to produce. Firstly, they can radically transform the nature of democratic accountability. Secondly, the search for certainty amid complexity of the nature, for instance of

human services, can trap managers into a mechanistic view of the process. Pushing past outputs to outcomes, from activity to results, is a far harder methodological problem. Progress towards outcomes typically depends on many factors that government officials themselves cannot control. For instance, social factors, from unemployment to drug use, can influence the level of crime regardless of what police does. Citizens' eating and exercise habits, along with genetic predispositions, can help or hinder progress toward good health, regardless of the activities of health agencies. So, a significant portion of the results may lie outside of the contracted agency's control. Thirdly, the fundamental purpose of the performance management process is not to produce measures but to improve results. However, strategic planning, construction of indicators, output measurement processes, and the reporting requirements can easily become ends in themselves.

### **New Public Management Assumptions and the Voluntary Sector**

Therefore, according to the assumptions of new public management, to improve customer satisfaction you need continuous service improvement which requires liberating managers from the shackles of bureaucracy and empowering them to manage based on private sector competitive practices as entrepreneurs. However, based on competitive markets, the contracting process cannot work well without clear performance management processes, focused not on outputs, but on the results. Within that context, government has sought to pursue a mixed economy of care, where both the voluntary sector and private sector compete for contracts in market like structures to deliver public services. This has required that managers place their trust in markets, based on a diversity of providers; including the VSOs, which define the goals and outcomes for the contracted services, give the managers discretion around how those goals are met, and rely on performance measurement to define whether or not programmes are working.

The assumption has been that including the voluntary sector among suppliers of public services can generate a larger, more diverse and more competitive supply base for the delivery of public services. Therefore, government has particularly sought to develop the role of the voluntary sector within the delivery of public services. The argument has been that because of the distinguishing characteristics of the voluntary sector, that contribute to their perceived greater effectiveness in

some areas, VSOs may be able to deliver better services or may have distinct advantages over other providers, both within the public and private sectors (HM Treasury, 2002). This is likely, according to this assumption, to produce high quality services well targeted to the specific needs of the diverse groups of the service users leading to greater customer satisfaction.

However, If a voluntary sector organisation is to adopt the private sector practices to be able to more effectively compete, demonstrate effectiveness and continuous improvement, how would that impact on that VSO's effectiveness? As argued, in chapter one, it is these capabilities that underpin the reasons why VSOs are being seen as alternative providers of choice and why they are commissioned to deliver public services, in the first place.

In the next five sections, this study explores the potential impact of the competitive pressures of new public management on the goals and mission, resource acquisition, governance, workforce management and the core values of the voluntary sector, a much debated area already, but lacking in-depth empirical evidence. A critique of the differences in the VSOs and the private sector, in the literature review, is provided to draw out the paradoxes. Thereafter, using the resource dependency and the neo-institutional theories as theoretical models that can help researchers predict organisational behaviours (Hunt, 1991), the study hypothesises on the potential risk of goals and mission drift, reduced independence and legitimacy, undermined democratic accountability, shifts in workforce management models, and the potential for clash of organisational values across sectors. In this regard, two theoretical models are applied as the prominent schools of thought on the subject of adaptation (Salipante and Golden-Biddle, 1995; Balabinis et al. 1997; Alexander, 2000; Chetkovich and Frumkin, 2003; Baorong, 2006; Benjamin, 2008; Ramanath, 2009). The dominant view explored, in this study, is that as an organisation's relevant environment changes, that organisation must undergo comparable and often rapid adaptation in order to survive and succeed.

With organisational adaptive strategy, the study is referring to how a VSO may be challenged to think through complex issues in order to explore and develop a business strategy that makes sense of the multiple paths that may emerge, to enable

the organisation manage an adaptive approach into the future. The strategy would be aimed at enabling such an organisation to achieve higher performance outcomes, increase its legitimacy and ensure its increased organisational survival.

The neo-institutional theory emphasises the role of normative pressures in an organisation's quest for survival (Perrow, 1961; Zucker, 1987). Applied to the voluntary sector, it can help provide an understanding of how social processes would determine the efficacy of voluntary sector organisations, and hence the limits to the commercialisation of their services. The second theory; which is the resource dependency theory, imagines a free market environment in which organisations are rational entities competing for resources (Pfeffer and Salancik, 1978). In this context, the organisation's effectiveness is defined in terms of its ability to exploit its environment in the acquisition of scarce and valued resources (Yutchman and Seashore, 1967). In the context of the voluntary sector, the funders depend on the VSOs to deliver services. The VSOs also depend on their environment for money, volunteer time, information and political legitimacy.

According to the neo-institutional theory, organisations operate within a social framework of norms, values and taken for granted assumptions about what constitute appropriate acceptable and unacceptable behaviour at individual, organisational and inter-organisational levels. Organisations conform to such behaviours because they are rewarded for doing so through increased legitimacy, resources and survival capabilities. Successful organisations are those that gain support and legitimacy by conforming to social pressures that come as a result of institutionalised activities (Baum and Oliver, 1991; DiMaggio and Powell, 1983). As a result, neo-institutionalists argue that organisational behaviour is not just rational and economically justified as posited by the neo classical theorists. Organisational behaviour is compliant, habitual, socially defined and unreflective (Oliver, 1997).

Against that background, in the next section, this study will now explore the potential impact of new public management, first, on the VSOs' goals and mission.

## **Section 2.3: Impact on the Organisations' Goals and Mission**

As discussed earlier, an organisation has to adopt the private sector practices to be able to more effectively compete, demonstrate effectiveness and continuous improvement. Inevitably, as part of its competitive strategy and based on the resource dependency and neo-institutional theories, an organisation has to achieve goals and mission congruence with its contractors or competitors, in order to win a contract. However, what would be its transformational effect on a VSO's traditional goals and mission, fundraising, governance, workforce management and organisational values? In this section, firstly, to draw out the paradoxes, based on the literature review, the study explores the difference in goals and missions of the voluntary and the private sectors. Thereafter, using organisational adaptive theories, the study predicts the possible organisational adaptive strategies and how that may impact on the organisation's goals and mission leading to organisational goal ambiguity and mission drifts.

### **Organisational goals and mission**

The mission of an organisation is the *raison d'être* for the organisation's existence and defines an organisation's identity. According to the neoclassical competition theory, private sector organisations primarily exist to maximise profits (Langlors, 1986; Walsh, 1995). The theory posits that organisations exist to create surplus, maintain it against competition and distribute it among shareholders as profit (Hart, 1996; Eldenburg et al, 2001). Therefore, the mission, values, governance and workforce management in a private sector organisation are all aligned to maximising wealth for the shareholders driven by a search for a competitive advantage (Eldenburg et al, 2001). Competitive advantage, in this study, is used in reference to a private sector organisation's abilities, gained through attributes and resources that can enable an organisation to perform at a higher level than others in the same industry or market (Porter 1980; Porter, 2008). In this context, therefore, the mission and goals of a private sector organisation can easily be changed as long as an organisation continues to achieve competitive advantage as a means of maximising profit.

On the contrary, VSOs principally exist with advocacy or social value based missions



to meet the unmet needs as a result of the inadequacies or shortcomings of the public sector provision. So, traditionally, VSOs are born out of a result of failure of public provision to respond to a particular need often of marginalised communities. According to Hall (1987), a VSO is a body of individuals, who associate to perform a public task: a) that may have been delegated by the state b) of which there is demand that neither the state nor the private sector organisations are willing to fulfil and; c) to influence the direction of policy in the state, private sector or other voluntary sector organisations. Their missions are often defined around services free at the point of delivery- “doing good” (Kanter and Summers, 1987).

Within this broad framework the voluntary sector exists to promote a wide range of public benefits on a voluntary basis but targeted at the needs of particular groups rather than serving the general welfare needs (O’Connell, 1996; Zimmerman, 1996; Marshall, 2007). They provide training and enable learning around the benefits, obligations, norms and skills of collective action. The wisdom generated becomes a resource for the public good often referred to as social capital (Wazer, 1997). It is that social capital that encourages and enables people to work together on common problems and tasks in other settings. In this way the sector creates regimes for toleration in which there is respect for diversity and differences (Harris, 2001).

In addition, the voluntary sector exists to promote social change, inform public policy, nurture citizenship skills, provide mediating structures between the individuals and the state, foster active citizenship through volunteering, promote social cohesion and trust in response to social problems (Giddens, 1990; Etzioni, 1992; Fukuyama, 1995; Marshal, 2007). Many of the above can be achieved either by directly providing services as a safety net below the safety net provided by the state, or by campaigning for inclusion of certain services as a result of identified gaps.

Many VSOs are founded by people with direct experiences of either the services that they provide, or the issues that they are campaigning about (Harris, 2001). They are often fired by a vision of serving the distinctive needs of a particular marginalised population like refugees and asylum seekers, rehabilitation of offenders and people with mental health. Sometimes the voluntary sector has pioneered the provision of certain services and successfully campaigned for their inclusion within the public

service delivery. An example of such services, within the NHS is the Royal Free Hospital in London; founded by the voluntary sector (Harris, 2001).

VSOs can generate surplus but the surplus has to be reinvested to create more surplus or to subsidise other organisational charitable activities. They are legally forbidden from distributing profits to their members (Hansmann, 1980; Paton and Cornforth, 1992; Courtney, 2002). This endears the VSOs to the public and as a result, they benefit from certain tax exemption, public donations and voluntarism, where individuals, at their own will, donate cash or many hours of free labour.

VSOs are strongly regulated by the Charity Commission and cannot easily change their missions or charitable objectives without the Charity Commission's consent. As a result, VSOs tend to have broad charitable objectives to allow broader definitions of what businesses they are in, in line with the changing times (Paton and Cornforth, 1992). However, their goals tend to be rather obscure, difficult to define and rather difficult to measure. This is compounded by the fact that VSOs have multiple stakeholders each with own goals which may at times be contradictory (Harris, 2001; Marshall, 2007).

Therefore, voluntary sector organisational goals, missions and objectives, may not be that widely supported. As a result, organisational survival has always been rooted in the process of creating and maintaining support for their objectives among the public at large and in the broader organisational environment (Meyer, 1975). Traditionally, that is what has always conferred organisational legitimacy to a VSO. So, traditionally, organisational survival has not been rooted in demonstrating continuous improvement, professionalisation, efficiency and effectiveness to the public sector.

What then, would be the impact on VSO's behaviour as a result of the pressures of new public management? What would happen to the emphasis on advocacy or social based value mission, the need to build social capital, campaign for inclusion of new services for the marginalised communities and the promotion of social change? Will this suffer as an organisation may have to realign its mission to winning contracts?

## **Adaptive Strategies Vs Organisational Goals and Mission**

As a result of the increased competitive pressures, organisations will need to review their missions to make it more relevant to the increasingly competitive environment. In this context, strategic planning is a process which neoclassical economics theorists believe can help an organisation address its weaknesses, mitigate threats and capitalise on opportunities. So, organisations will be forced to rethink their *raison d'être* through a process of strategic planning, a private sector practice (Scott and Russell, 2001; McDonald, 2007; Marshall, 2007; Benjamin, 2010). The strategic planning process may, firstly, enable management to recognise threats, identify opportunities and adopt goals, missions and strategies that can help maximise such opportunities. Secondly, it may enable an organisation gain better clarity of its mission, vision and its strategic priorities. Thirdly, in itself, a strategic plan as a result of the strategic planning process confers legitimacy. According to the neo-institutional theorists, legitimacy is rewarded with resources to the organisation (Meyer and Rowan, 1977; Zucker, 1987; Scott, 1995).

However, strategic planning according to the neoclassical economics theorists is seen as a deliberate positioning of an organisation through a process of rational, analytical, structured and sequenced process based on a detailed internal and external environmental analysis (Porter, 1980). In this context, VSOs will be adapting to an environment in the main guided by a philosophy of a diversity of providers competing against each other for contracts in line with the rational neoclassical economics belief in the efficiency of markets (Peters, 1996). According to new public management assumptions, the expectation is that the providers will be more responsive to the users' needs and increase user choice based on the rational neoclassic competition theory. However, according to the neo-institutional theorists organisational behaviour is not rational and is not economically justified (Oliver, 1997). Organisational actors making choices and their organisations are a product of human action and interaction; however organisations are not an outcome of rational human design and intentions (Meyer and Rowan, 1977; Scott, 1987; Zucker, 1987), as posited by the neoclassic economics theorists.

In such a competitive environment, neo-institutional theorists predict that, it is organisational conformity to normatively sanctioned behaviours that leads to

increased legitimacy and increased resources necessary for organisational survival. This, however, may not mean that such normatively sanctioned norms and beliefs constitute reality. They are just a reflection of the organisation's need for legitimacy and need for resources which follow as a result of conformity. It is this requirement for rewards, status and legitimacy that make many organisations open to influence by their important external funding agencies on whom they may depend for resources. This therefore explains the structural similarities that over time will occur within organisational fields, for instance around goals and mission, which DiMaggio (1983) has referred to as institutional isomorphism.

So, an organisation will undertake strategic planning, but this will not be from the rational strategic planning process. It will be more from an incremental process of traditions, past experiences, dominant norms and assumptions. It will emerge more from patterns of the managers' perceived threats rather than from a well sequenced process of events across the organisation involving the internal stakeholders (Mintzberg, 1978; Mintzberg and Waters, 1985). According to the resource dependence theory, it is likely to be influenced by the managers, as the dominant organisational actors influencing access to resources. This is because, according to the theory, actors aiding in getting the resources acquire power in the organisation that they assist to get them and those within the organisation that are able to control and apply those resources and services. That power varies with the degree of the scarcity of resources within the environment in which an organisation operates. So, in a highly competitive environment, participation of the internal stakeholders like the founders, service users, staff and volunteers in the strategic planning process, may be repressed and stifled. However, the dominant actors may not be loyal to their organisations (Pfeffer and Salancik, 1974). Their interest may be bringing their organisations in line with the competitive environment that rewards market discipline and performance rather than furthering the goals and mission of their organisations. This can potentially lead to goals and mission drifts.

Some VSOs may take a conscious decision not to be distracted from their missions and not to chase funding for the sake of money. Lewis (1996) provides a case study of an organisation that made a conscious decision not to be a provider of public service but to remain a campaigning organisation. In another study, Chew (2009)

mentions a case study where two organisations remained loyal to their missions. Chew argues that these organisations adapted by developing key strength and core competencies that were unique to their organisations and supported rather than conflicted with their goals and missions. However, the imperative would be that for an organisation to survive, it has to develop a strategy that can enable it to compete with the diversity of competitors and demonstrate that it has professionalised, it is efficient, effective and accountable. Inevitably, such a strategy adopted around its strategic objectives would have far reaching transformational effect on the organisation's goals and mission.

### **Possible Transformational Effect**

Inevitably, that will mean importing of institutionalised systems and procedures and change in internal organisational behaviour. Internally, systematic goal analysis and goal setting may be repressed because it may prove a painful process for managers and may be disruptive to goal setting and achieving the funders' predetermined agenda. The organisation then will rely on the normatively sanctioned and legitimated procedure to enhance the image that it projects to the funders for purposes of organisational survival. It will mean that an organisation has to become much more market oriented. Market orientation will mean that an organisation has to more and more mimic the private sector practices to leverage its ability to compete for contracts. As a result, it would increasingly become difficult for such an organisation to reconcile the traditional voluntary sector ethos, goals, social advocacy and community building missions to the goal of effectively competing in the open market.

Inevitably, this will mean that an organisation has to align its goals and missions more neatly with those of the purchasers. This is because it is only when there is congruence of aims and objective between the purchaser and the supplier that services can be commissioned. In this case, however, the aim of the public sector as the main purchaser of services is to maximise the efficiency of provision of public services (Ebrahim, 2006). In dealing with the voluntary sector, the public sector will be more interested in targeting VSOs' provisions towards their own priorities and ensuring accountability and value for money as a result of their own financial constraints (Flynn and Common, 1996). Their aim is to achieve certain political

agendas, policies and priorities as dictated by the politicians to whom the bureaucrats are accountable.

Therefore, aligning the organisation's goals and mission to the contracted services as a result of strategic planning would mean that a VSO has to prioritise services prescribed by the state or by other purchasers. These would be services that can easily be purchased or that the organisation can easily sell to ensure organisational survival (Smith and Lipsky, 1993; Baorong, 2006; Wollebaek, 2009). Such an organisation, would in effect become a social enterprise; making but not distributing profit, with a strong preference of activities that are easily reimbursable and profitable, aligned to the funders priorities. It can be reasonably assumed that even new organisations joining the field, that otherwise may have met the unmet needs, will seek to overcome the barriers and the liability of newness, by imitating the normatively sanctioned practices within the organisational field.

Prioritising reimbursable services will lead to neglect of mission and would cause increased external pressure on the organisation around its legitimacy. 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 that are able to pay. Rosenman, Snocthmer, and VanBenschoten (1999) agreeing with that view, argue that such strategies can drive a VSO to "weed out" clients who are difficult to serve. Such organisations would be less likely to provide additional services beyond their marginal costs in relation to the contracted services. In the main, advocacy and campaigning would be affected. Partly, an organisation may be unable to prioritise advocacy because of resource constraints and the need to cut down on costs (Ryan, 1999). However, some organisations may deliberately reduce advocacy work for fear of criticising their contractors which may potentially jeopardise their winning of contracts (Skloot, 2000). By implication that would mean moving away from serving larger societal issues to serving individual needs.

Alexander, Nank and Stivers (1999) confirms, that as a result of increased competitive pressure and as a result of organisational adaptive strategies, VSOs are increasingly shifting away from focus on public goods such as research, teaching,

advocacy, building social capital and serving the poor to meeting individual client's demands. None contracted activities like campaigning, advocacy and information services, underpinning the voluntary sector ethos, tend to suffer (Flynn and Common, 1996; Baorong, 2006; Wollebaek, 2009).

Traditionally, VSOs' long term survival and legitimacy depended on the degree and capacity of an organisation sustaining relationships with core constituencies thereby building a network of social trust around the organisation. Such core constituencies have traditionally included the individual donors, members, community volunteers and other community organisations. Such networks have traditionally been essential for mobilising collective action and addressing social problems (Backman and Smith, 2000). In a highly competitive environment, this is undermined and becomes unnecessary as there is less need to build networks among constituencies. The focus of an organisation shifts from creating networks of trusts to creating networks providing opportunities for bringing in money into the organisation (Alexander, Nank, and Stivers, 1999). Likewise, an emphasis on contract competition would mean that rather than organisational emphasis on co-operative networks and building of social capital, VSOs would be increasingly forced to compete with each other.

Therefore, organisations may be able to attract resources based on a review of their goals and mission, ability to align it with the dictates of the imperfect markets and ability to demonstrate that they are based on sound private sector management practices. However, 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 and struggle between "ideals and independence" and the imperatives of organisational survival and effectiveness (Flynn and Common, 1996; Akingbola, 2003). This study therefore hypothesizes that:

***Proposition 1: The less multi-functional a voluntary sector organisation is, the more likely is it that the introduction of contracts and market based competition would cause organisational goal ambiguity and mission drifts.***

The proposition is that the more an organisation focuses on organisational survival

and winning contract, the more the emphasis will shift from the traditional mission, vision and values and focusing on meeting the traditional needs of its users. Focus would shift to meeting expectations of funders who in effect become the most important organisational constituency. For more multi-functional VSOs, they would have lost sight of what used to be their core values and services, this would then render them more pliable to accepting contracts and market-based competition and that wouldn't represent a significant mission drift. Therefore, larger multi-functional VSOs would accommodate market-based solutions with ease. However, smaller VSOs or those that have stuck to their traditional core services (even if they are considerably large organisations) would have reluctance in accepting these norms but would be transformed by the imperatives of organisational survival.

## **Section 2.4: Impact on the Organisations' Resource Acquisition**

Based on the resource dependency and neo-institutional theories, as a result of the imperative of organisational survival and as part of its competitive strategy, an organisation would have to align its resource acquisition strategies to that of the private sector. However, what would happen if a voluntary sector organisation is subjected to the pressures of new public management and has to depend on resources extracted from the environment? In this section, the study reviews the literature on the resource acquisition models of both the private and VSOs, to present the paradoxes. Thereafter, using organisational adaptive theories, the study predicts the possible adaptive strategies that a VSO is likely to use and how that may impact on the organisation's independence and legitimacy.

### **Introduction**

Resource acquisition refers to the ways that both the private and VSOs resources are acquired and allocated. Within the private sector, resource acquisition is an end itself, in order to maximise profits. In the private sector, resource acquisition determines the value of the organisation's shares and market share which in turn determines the organisation's profitability. However, within the voluntary sector, resource acquisition is a means to achieving its advocacy or social value based missions or meeting the unmet needs. There are significant differences around how both the voluntary and private sector raises their capital, provide incentives for their



stakeholders, the basis for their competitive strategies and the basis upon which their performance is measured.

**Basis of appeal to donors and the shareholders:** In the private sector, the basis of attracting investment is the confidence in the organisation's ability to meet its financial obligations. Often this is determined by its profitability, which, according to the neoclassical theory of competition, is measured by the value of its shares and market share. The higher the earnings per share and the increased confidence in the company, the more it will attract investors. The higher the risk in the organisation, say as a result of reducing profitability, the higher will be the interest rates that investors would demand on their shares. So within the private sector there are clear indicators of organisational performance (Jenson and Mechling, 1976).

However, within the voluntary sector, traditionally, services are free at the point of delivery. Their methods of raising finance is by fundraising through contracts from government statutory agencies, local authorities, health authorities and other non statutory bodies like grant making trusts (Wainwright, 2006). They also receive donations from individuals (Wainwright, 2006). VSOs also substantially benefit from free labour, in terms of volunteers working without wages in return. All these sources of support are on the basis of the perceived strength of a VSO. It is this strength that confers legitimacy upon an organisation and it is rewarded with resources. However, what are those distinguishing characteristics that confer perceived effectiveness and legitimacy?

### **Source of strength of the voluntary sector organisations**

As introduced in Chapter one, firstly, the sector is perceived to have a strong focus on the needs of its service users. This is mainly because there are "fewer operational and political limitations on the help and support that a VSO can provide" (HMSO, 2008 pp 24). VSOs are perceived as having the passion, enthusiasm and generosity of spirit and entrepreneurship of their workforce, paid or unpaid, in meeting the needs of their targeted service users. Many times they would also be based within the local communities within which they work and would also have user representation on their boards.

Secondly, they are perceived as having more specialist knowledge and expertise in meeting the complex needs and tackling the complex social issues including unpopular causes in relation to their targeted beneficiaries. They are flexible, provide services that are more responsive to users' needs and can engage service users that either the private or public sector would find difficult to reach and engage. The sector has ability to build trust and the experience and independence to innovate (Harris, 2001).

Thirdly, the voluntary sector is perceived as adding value to service provisions. There are differences however between the private and voluntary sectors around the definitions of the concepts of added value (Pfeffer and Coote, 1991; Gaster, 1995). Within the private sector; quality, continuous improvement or corporate excellence is defined, in relation to added value perceived by the end users. This tends to emphasise "fitness for purpose" and conformance to scientific standards. However, within the voluntary sector added value is defined in terms of generating social capital, building the skills of volunteers, levering in additional income and providing other unexpected but tangible benefits. For instance, a voluntary organisation can increase trust within and across communities thereby build social capital. It can use volunteers to deliver its services, thereby allowing flexibility. It can raise additional funding, leveraging existing funding, to provide a wide range of holistic services. So, as a result of these distinguishing characteristics, the sector is perceived as having a distinct advantage over other sectors. It is these characteristics that provide the basis of the perceived sector's effectiveness and a basis for the voluntary sector to raise its capital (Barclay, and Abdy, 2001).

**Paid for effort and not results:** In the private sector; in the main, organisations are paid for results. Often, consumer demand tends to be the measurement of quality. However, within the voluntary sector, organisations are paid for effort. There are no automatic business evaluation mechanisms to establish bottom lines to enhance performance management. The concepts of value for money, added value or social impact have no common definitions or measurements across the two sectors to be able to link performance to results. It is often fairly difficult for VSO to be clear about their service specifications and at times difficult establishing clear performance indicators to measure organisational efficiency and effectiveness. Therefore, VSO's

outcomes, for instance, in areas of community cohesion, prevention of smoking and rehabilitation of offenders are often difficult to measure and may take a long time to materialise, sometimes even beyond the duration of the contract (Mason, 1984).

**Conceptual differences in effectiveness:** Within the voluntary sector, the concepts of effectiveness, continuous improvement or corporate excellence are hardly used to mean customer satisfaction in relation to market share, which is the private sector model. This is because; VSOs have finite resources but infinite markets. Some VSOs have some sort of monopolistic advantage while others provide services that are not actually required by the end users, like the stop smoking campaigns and probations services. Therefore, based on performance, the concept of effectiveness within the voluntary sector is often subjective (Paton, 2000; Benjamin, 2008; Benjamin, 2010; Carlson, Kelley and Smith, 2010).

Performance is often a contested concept; measurability of its important dimensions is often in question (Paton, 2000). Judgement of overall performance can be arbitrary and what good performance means may be different at different levels of an organisation (Davies et al. 1999; Paton, 2000; Benjamin, 2010; Carlson, Kelley and Smith, 2010). This is because in some policy areas objectives may be multiple and competing, which complicates and politicises the evaluation of what works. Often, evaluations in the voluntary sector services tend to evaluate whether things are done right rather than whether they should be done at all. Things are right because they have always been done in a certain way (Leicester, 1999; Brown, 2006; Benjamin, 2008; Benjamin, 2010).

Therefore, several generic meanings emerge of what constitutes continuous improvement or corporate excellence within the provision of services by the voluntary sector (Pfeffer and Coote, 1991). Corporate excellence within the voluntary sector could be all about credibility as an organisation providing high quality services. Or, it could be the “fitness for purpose”, a conformist approach where an organisation conforms to scientific standards set by experts. However, excellence could also mean user empowerment, which is a consumerist approach (Gaster 1995; Benjamin, 2008).

All these issues, around resource acquisition, present challenges around applying the assumptions of new public management in improving performance and in the delivery of services by the VSOs. Nevertheless, based on the assumptions of new public management, to survive a VSO must depend on resources extracted from the environment. Based on the seminal works of Meyer and Rowan (1977), the neo institutional theory stresses the relationship between organisations and their environments. In addition, the resource dependency theory argues that, the degree to which an organisation depends on its environment would depend on the degree of scarcity of the resources and the organisation's ability to obtain them. In other words, if it is easy to obtain the resources, then dependency on the environment is less. The harder it becomes in getting the resources, the more an organisation would depend on its environment. In the circumstance, the competitive pressures of new public management present a highly competitive environment.

According to the resource dependence theory, organisations operate within a social framework of norms, values and taken for granted assumptions about what constitute appropriate acceptable and unacceptable behaviour at individual, organisational and inter-organisational levels. Organisations conform to such behaviours because they are rewarded for doing so through increased legitimacy, resources and survival capabilities. In a highly competitive environment, successful organisations are those that gain support and legitimacy by conforming to social pressures that come as a result of institutionalised activities (Baum and Oliver, 1991; DiMaggio and Powell, 1983). Such an environment precludes experimentation and divergence from the normatively sanctioned paradigms. It would therefore be inevitable that VSOs would adopt the private sector practices around resource acquisition, as the institutionally sanctioned and rewarded organisational behaviour. Therefore, what would happen if a voluntary sector organisation is subjected to the pressures of NPM and has to depend on resources extracted from the environment?

### **Adaptive Strategies around Resource Acquisition**

An organisation will have to adopt strategies to ensure that it becomes more competitive, receives the necessary resources to accomplish its goals and mission but most importantly to survive. In addition, to ensure that it is more attentive to the

demands of its organisational field as a result of the institutional pressures. The three competitive strategies, often cited in the literature are; price based competition, diversification and differentiation (Kohli and Jaworski, 1990; Alexander, 2000; Young, 2002; Chetkovich and Frumkin, 2003; Strichman, Bickel, and Marshood, 2008; Chew, 2009). It is the adaptation of such strategies that in the long run would undermine the organisation's legitimacy and independence.

Within the voluntary sector, price based competition would primarily mean attention to greater efficiency across the organisation and prioritising low cost services in line with the organisation's strategically defined goals and mission (Alexander, 2000). An organisation would become more cost conscious, with a greater attention to efficiency as the bottom line (Leat, 1995). Access to resources would determine what services are provided, and how such services are provided. The organisation's attention would shift, from strengthening society, to competing in the business of providing public services taking on characteristics of its competitors (Ryan, 1999). As a result, meeting the service users' needs may become secondary. Increased efficiency and demonstrating to the purchasers that the organisation has lower unit costs, may take precedence.

In order to cut down on costs, this may mean culling services to the poor and charging for services previously free at the point of delivery and this may mean culling the traditional core services because they are not funded. Or, it may mean increasing staff workloads to achieve greater efficiency. Professional staff would be reduced and the caseloads of those remaining would be increased. It would mean increased use of performance management techniques and technology as a means of achieving increased efficiency and projecting an image of greater effectiveness as a competitor. This, however, may draw resistance from the internal stakeholders. There are also questions as to whether the market would sensitively respond to price changes. This is because, in voluntary sector service provision, the purchaser is not often the direct service user and also, information is asymmetry. But also, emphasis on cost minimisation, to keep the prices down, is known to jeopardise quality (Alexander, 2000).

The alternative strategy is diversification to create revenue generating programmes,

related or unrelated to the core activities of the organisation, targeted at sources of funding (Liesbshutz, 1992; McMurtry, Nelling and Ketner, 1991; Salamon, 1997; Baorong, 2006; Marshall, 2007; Strichman, Bickel, and Marshood, 2008). If grounded in the core organisation expertise, this strategy may have many advantages for an organisation. Firstly, it may help to conceptualise the needs of the organisation's service users and how best such needs can be addressed. Secondly, it can enable an organisation a degree of financial independence as a result of increased revenue generating activities. This can potentially provide an organisation with autonomy needed to develop programs and services targeted at the low paying clients. Therefore, thirdly, diversification has the advantage that it can enable an organisation have a better control over its goals and organisational services directed to the low paying clients. Finally, it may help foster and sustain organisational legitimacy in the eyes of the purchasers and its other organisational donors.

Diversification, however, is often associated with a number of challenges (Alexander, 2000; Baorong, 2006; Benjamin, 2008; Beck, Lengnick-Hall, and Lengnick-Hall, 2008). It is likely to be shaped by the organisation's most dominant actors and as argued in the preceding section, these may not be acting in the best interest of the organisation. However, organisations striving to attract resources must adapt to the requirements of the key organisational actors upon whom they depend for those resources (Froelich, 1999). This may mean organisational transformation, from serving community needs to increased commercialisation, compromising the mission of the organisation, generating internal tension, cashflow problems and problems of organisational legitimacy. It can also draw significant donor scepticism if the diversification appears to be erratic or inconsistent with the organisation's mission.

The third adaptive strategy is differentiation (Chew, 2009). This strategy may combine elements of both the price competition and diversification strategies but very much based on the quality of services, type of product offered or the organisation's greater effectiveness in meeting the users' needs. For instance on quality, emphasis may be around communicating the distinctiveness of the organisation as a competitor and greater focus on the organisation's core competencies like organisational values or access to niche markets. However, depending on the market structure, there is a challenge that in most cases targeted

focus would be to a market segment underserved by the market most likely because it is not profitable. Also, with some activities differentiation may not matter, for instance in areas where the industry is highly regulated.

Therefore most organisations would tend to adopt the three strategies and augment them with marketing techniques to increase their legitimacy. So, organisations will become so market oriented in order to achieve competitive advantage and to improve their performance (Kohli and Jaworski, 1990; Young, 2002; Baorong, 2006; Beck, Lengnick-Hall and Lengnick-Hall, 2008). This means that VSOs will have to build their capacities to be more competitive in the market place (Andreasen and Kottler, 2003; Baorong, 2006). Market orientation adds to the organisation's legitimacy and this enables an organisation to compete more effectively for resources. Market orientation, in this study, is defined as the organisation's wide generation of market intelligence, dissemination of the intelligence across departments, and organisation's wide responsiveness to the marketing strategy (Kohli and Jaworski, 1990).

With market orientation, for instance an organisation would tend to compete for activities that increase media attention to their work to increase their charitable donations. In so doing they would be keen to be projected as the altruistic industry leaders. Secondly, organisations would tend to expand networks that legitimate their activities and that can bring in resources through linkages. For instance, board members will connect their organisations to funding opportunities, donors and or political officials who can buffer or support their organisations. The problem however is that, that may mean cooption into other organisations agenda. Where the connection is to a corporate organisation, it may mean mimicking that organisation's character, depending on how important that agency may be around access to resources.

### **Possible Transformational Effect**

Increased competition may enhance greater efficiency, increased productivity and greater consistency in service delivery. With the increased use of technology and focus on information systems and processes, it may help give an organisation a greater clarity of user needs and better tracking of funds and programmes. This can

help improve an organisation's credibility and accountability to funders. In the literature, contracts have led to rapid growth and influx of government support into the voluntary sector, and ensured some organisations a relative degree of financial stability (Scott and Russell, 2001; Wainwright, 2006). It can lead to enhanced clarity of what services are to be delivered and the activities to be undertaken, providing a means by which performance standards can be introduced and achievements measured. It can help reduce discretion and break down some of the monopolistic approaches to service provisions (Salamon, 1997). Across the sector, it can lead to increased professionalisation, specialisation and expansion of services within certain institutional limits (Deakin, 1996).

However, such adaptive strategies, can also lead to a number of challenges. Firstly, the contracts can lead to financial uncertainty, volatility and constraints as a result of short term contracts and decline in funding for some organisations. Contracts may not effectively reflect the cost of providing the services contracted and development of projects not directly funded may be difficult. In 1997, a survey of 199 contracts showed that, in the majority of cases, the contracts did not reflect full cost recovery. Almost 80% of the contracts surveyed had been awarded for only one year. They were in the main focused on unit costs rather than best value (Scott and Russell, 2001). Such experience can be very destabilising and may inhibit strategic planning.

Secondly, contracts can usher in a regime of increased accountability to the commissioners through increased reporting, auditing and monitoring of activities (Ebrahim, 2006; Marshall, 2007; Benjamin, 2008; Benjamin, 2010). This may be institutionalised and may be punitive in nature with emphasis on documentation and outcome measurements at the expense of the actual service delivery. Organisations may also become preoccupied by a search for and servicing of contracts. In the literature, this is reported to be consuming 30 to 40% of the paid workers' time (Akingbola, 2003).

Thirdly, although organisations may become more accountable, as a result of pressures for upward accountability through performance management, it may not prove better accountability within an organisation. The upward accountability to funders may not be the best use of staff time and internal repression, in the process



of driving adaptive strategies through, may not necessarily improve the quality of services for the service users (Ebrahim, 2006; Marshall, 2007; Benjamin, 2008).

Fourthly, as both the neo-institutional and the resource dependency theorists have predicted, in a situation of limited access to alternative resources the stronger party to the transaction can coerce the weaker to adopt certain practices to meet the stronger party's requirements (DiMaggio and Powell, 1983). In this case the contracting system, in some cases may increase the VSOs' vulnerability to changes in government policies and budget cuts (Golesky and DeReuter, 1999). Depending on the contract, it may mean that an organisation is at the whim of the supplier of resources, significantly impacting on the organisation's independence and ability to campaign against certain government policies and practices.

Fifthly, most of the contracts are likely to be on a short term basis, one year to three years in line with the government budget cycle. This may breed a high degree of false complacency, distracting organisations from seeking alternative sources of funding. As a result, VSOs may not be able to cover shortfalls in government funding with private donations and increasingly face the dilemma of whether to charge or to discontinue provision of the service as discussed earlier (Golesky and DeReuter, 1999).

Sixthly, the need to monitor and continuously review the achievements of service standards may in some instances result in new forms of bureaucracy (Deakin, 1996; Benjamin, 2008). The sanctions for not meeting standards may impact on innovation. That may favour larger organisations at the expense of smaller community based providers. Smaller providers may not have learned the rule of the game, or may not accept the level of risk implied by entering into a new contract (Gutch, 1992; Richardson, 1994).

A combination of all these factors would impact on the organisation's independence. In this study, independence is defined as the ability of an organisation to uphold its purpose, values, negotiating robustly with funders, and ability of an organisation to engage in public debate without fear of sanctions. It is the independence that gives a voluntary sector organisation, often in a state of statutory indifference, freedom to

challenge, a platform for active resistance and the ability to influence public policy. Independence helps organisations to understand needs that govt can not see or may be choosing not to see, pioneer new approaches and work with people in ways that really meet their needs. Therefore, the total sum of these factors, as a result of organisational adaptation, would be the erosion of the distinguishing characteristics of VSOs bringing into question the future of the voluntary sector. The study, therefore, hypothesise that:

***Proposition 2: The more a voluntary sector organisation is dependent on one donor the greater would be the likelihood that its legitimacy weakens as an independent actor.***

The proposition here is that the more an organisation relies on the other for resources, the more they will resemble in systems and procedures. Such resources may be contracts, personnel or legitimacy. Subject to the degree of dependency, it would mean that the organisation is at the whim of the other and therefore not truly independent. This compromises the performance of the organisation in other development activities which may not be prioritised by the principal and therefore its legitimacy and independence are weakened.

## **Section 2.5: Impact on the Organisations' Governance**

If voluntary sector organisations are to effectively compete, assumptions of new public management requires that they adopt the private sector governance model. However, there are significant differences in relation to governance in the private and voluntary sectors. In this section, firstly, to draw out the paradox, based on the literature review, the study explores the governance principles in both the private and voluntary sectors. Thereafter, using adaptive theoretical models, the study hypothesises on the possible transformational effect of a VSO, when it adopts the corporate governance model of the private sector.

### **Introduction**

In the private sector, based on the neoclassical competition theory of the firm, governance is premised on monitoring performance to minimise costs and maximise

profits for the shareholders (Shleifer and Vishny, 1997; Speckbacher, 2003). It therefore automatically follows that, board recruitment, incentives and accountability are all geared towards ensuring that the board members effectively monitor organisational performance to reduce waste, increase efficiency and productivity in order to maximise profits for the shareholders. On the contrary, within the voluntary sector, governance is about achieving democratic accountability, broad based governance, civic engagement, engaging the service users in the decision making process and offering training for the civil society to achieve greater participation in the democratic action (Harris, 2001).

### **The Corporate Governance Model**

There are two prevalent theories that explore governance in the private sector. Both theories are concerned with how the aims of the managers, as agents, can be more closely aligned with the aims of the owners, as the principals, to increase the allocative and productive efficiency, and effectiveness. According to property rights theory (Coase, 1937), because of market pressures, managers in the private sector are seen as more sensitive and responsive to incentives and disciplines, than their counterparts in the public or voluntary sector. Allocative efficiency means that in a competitive product market, a private organisation will automatically respond to market signals and that will lead to optimum allocation of resources, to reflect the consumer preferences. However, within the public sector or monopolistic markets without the competitive pressures, signals and added monitoring incentives, resources are misallocated and such markets produce waste (Kay and Thompson, 1986). Secondly, because of the pressures for survival and profits from the shareholders, an organisation is forced to minimise costs by increasing efficiency. Both product and capital markets encourage private corporate efficiency through the threats of possible loss of market share, bankruptcy or takeovers (Kay and Thompson, 1986).

As an extension to that theory, agency theory provides an insight into the behaviour of the key actors (the principal and the agent) in a contractual relationship (Jensen and Meckling, 1976). The agent often possesses the information, knowledge, or skill that he or she needs in order to act on behalf of the principal. However, the agent will not always act in ways that are consistent with the principal's expectations (Berle

and Means, 1932). Shareholders' interests are maximised when the agents focus on efficiency and profits which are fairly straight forward in the private sector. Therefore, the principal has to design a contract and monitoring systems that provides the manager with the incentive to choose the strategy that maximises the owner's welfare (Zahra and Pearce, 1989; Zahra, 1996). Hence, in the private sector, according to the agency theory, governance is about the principal monitoring performance of the agent.

Therefore, within the private sector, the objective of board recruitment would often be to attract board members with sound knowledge and experience in the organisation's activities (Bradshaw, 1992). As a result, board recruitment is targeted at recruiting highly skilled board members with the qualification, knowledge, skills and experience in the organisation's activity areas, often delineated in job descriptions like those of paid employees. So, often the board members, in the private sector, would have a sound understanding of their roles in the governance of activities of the organisation (Miller, 2002). This is often supported by clear board meeting protocols, adequate board meetings, greater attention to risk and added remuneration incentives for the governance activities (Alchian and Demesetz, 1972).

In the main, within the private sector, often accountability is geared towards proving to the shareholders, potential investors and customers, for instance in banks, that the organisation is profitable. So accountability will be in the form of straight forward financial reports demonstrating how profitably the organisation has performed in a financial year according to the financial ratios.

### **Applying the Corporate Governance Model to the VSOs**

In order to apply the corporate governance model within the voluntary sector, first, the board must recognise the chief executive's potential for self interest as an agent. However, board members, in the voluntary sector, do not often believe that their chief executive will behave opportunistically (Barrett, 1996). Relationships between the board and the CEO are often based on trust and mutual respect (Miller, 2002). It is assumed, within the voluntary sector, that senior managers, as agents of the principals, are attracted to the organisation because of its value. As such, they tend

to be paid less than their counterparts in the private sector, and they are not expected to pursue their own selfish interests.

Secondly, if premised on monitoring performance, board members must understand the full range of programmes and services that the organisation offers as well as the relative contribution of each towards achieving the organisation's mission based on objective criteria. However, within the voluntary sector, board members are often elected by members of the organisation not because of their qualification, knowledge or skills but because of their popularity within the organisation or community. Other directors may be co-opted for instance to increase user participation or the targeted community representation within the organisation's decision making process.

Based on the principles of wider democratic accountability, often members are the clients and are expected to engage in participatory decision making. They vote in their leaders for a limited period of office; often a year to three years, to give other members an opportunity to also govern. Those not in positions of authority still have the ability to reform the organisation, either by influencing the leaders or by running for leadership positions themselves (Christensen and Ebrahim, 2006). Under the Board there may be two or more sub committees that have to discuss an issue before it is finally presented to the board. There are more board meetings, which may at times be infrequent because of the complex decision making processes within the voluntary sector.

Monitoring of performance is often problematic, as often there are no clear bottom lines within the sector. Traditionally, reporting has, in the main, focused on how money was spent, not why it was spent. Because of lack of comparable measures of performance, within the voluntary sector, constituents use different criteria to measure organisational effectiveness. As a result, each stakeholder tends to monitor performance in ways related to their individual competencies and expectations (Kanter and Summers, 1987; Marshall, 2007; Benjamin, 2008).

Therefore, decision making can at times be problematic as often it is difficult to have an independent judgment about affairs of an organisation. Participation in the decision making process is not necessarily based on one's knowledge and

experience of the issue. Board members may not have the technical knowledge or the time to challenge paid managers (Harris, 1992). Most often, approaches to organisational issues are based on value judgments. This, therefore, at times poses a challenge in the decision making process and at times leads to unhealthy interaction between management and the Board.

Whereas in the private sector, board members are provided with incentives so that they can monitor their agents, there are no incentives for Board members in the voluntary sector. Within the voluntary sector, organisations have boards of unremunerated directors, distinct from paid staff (Drucker, 1990). According to the charity laws in England and Wales, until recently, board members were not supposed to benefit from their positions as trustees (Alexander, 1999).

Finally, to apply the agency theory within the voluntary sector governance, it must be clear who the owners of a voluntary sector organisation are, to whom the board owes its primary allegiance. However, there is a multiplicity of stakeholders within the voluntary sector (Smith, 1995; Marshall, 2007; Benjamin, 2008; Benjamin, 2010). These multiple stakeholders include the funders and the regulatory agencies, each with conflicting expectations from the organisation. Some of the stakeholders, like the funders, are much more dominant than the others. The Boards have authority to make decisions, but often the ultimate power lies with the main funder of the organization (Harris, 2001; Miller, 2002; Benjamin, 2010).

There is, therefore, often ambiguity around ownership and ultimate accountability within the voluntary sector. There is little consensus on who owns a VSO. Some scholars have argued that VSOs are owned by their donors (Miller, 2002; Benjamin, 2010). Therefore, unlike in the private sector, objectives for monitoring within the voluntary sector tend to lack specificity. Boards' decisions tend to be broadly focused on being responsive and answerable to multiple constituents' concerns and expectations.

As a result of the competitive pressure, it is the corporate governance model that a VSO must adopt to ensure organisational survival. Given the option, that may not be what an organisation may deliberately choose to do. However, the neo-

institutionalists argue that organisational congruity with values delineated in the larger environment precedes resource flow (Meyer and Rowan, 1977; Scott, 1987; Zucker, 1987). Therefore, as a result of the competitive pressures, organisations will seek to adopt normatively sanctioned paradigms as a way of enhancing their legitimacy in order to acquire resources.

The pressure would be for VSOs to acquire attributes of other organisations against whom they depend for resources and those perceived within their organisational field as the best in class (DiMaggio and Powell, 1983). As the commissioners seek to achieve greater efficiency and increased effectiveness, this will occur, as predicted by the neo-institutional theorists, through a process of institutional isomorphism. It may be by the funders insisting on certain modes of organisational procedures to conform to requirements of regulatory agencies, industry alliances, societal expectations, norms or rules and expected governance standards. However, through a process of institutional isomorphism, the mimetic pressure could also be to adopt private sector practices around governance, as the normatively sanctioned organisational paradigm (Zucker, 1987, p445; Oliver, 1992). Through mimetic pressures, an organisation will seek to benchmark practices of other organisations considered to be the best in class. In this case, it will be the private sector. The environment will preclude experimentation as organisational conformity with the normatively sanctioned governance behaviours would lead to increased legitimacy and increased resources, which enhances organisational survival. Therefore, what would be the transformational effect on a VSO's internal governance structures and profile, if an organisation has to realign its governance to the private sector governance model?

### **Possible Transformational Effect**

Realigning a VSO's governance to the private sector governance model would inevitably mean that an organisation will have to prioritise accountability to its funders as the owners of the organisation, to whom it ultimately becomes accountable for the use of the financial resources (Benjamin, 2008; Benjamin, 2010). Secondly, an organisation will need to pay greater attention to performance management to demonstrate continuous improvement, efficiency and increased effectiveness. Thirdly, an organisation will need to show increased

professionalisation, 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 an organisation's community members and stakeholders.

### **Skewed Accountability**

Accountability is generally interpreted as "the means by which individuals and organisations report to recognised authority and are held accountable for their actions" (Edwards and Hulme, 1996. p8). As a result of multiple stakeholders, VSOs have multiple accountabilities. There are three types of accountabilities; upward accountability to donors and regulatory agencies; downward accountability to the organisation's members, beneficiaries and local communities and the lateral accountability to staff, volunteers and the community board members (Smith and Lipsky, 1993. p79; Najam, 1996).

As a result of the competitive pressures, accountability would be skewed towards the most dominant constituency, the funders (Hulme, 1996; Benjamin, 2008; Benjamin, 2010). Upward accountability would be prioritised because, as posited by the resource dependency theorists, an organisation's ability to raise funds and to attract other resources is crucial for any VSO wishing to succeed or simply to maintain their mission related activities (Palmer and Randall, 2002). DiMaggio and Powell (1983) argue that the new pressures and environmental expectations would preclude experimentation and innovation towards none normatively sanctioned practices. As a result, downward and lateral accountabilities would suffer.

Upward accountability would mean creating systems for capturing outcomes, demonstrating transparency in finance and decision making and detailed reporting on performance (Golesky and DeReuter, 1999; Ebrahim, 2006; Benjamin, 2008). Often this would be in the form of multiple reports either on a monthly or quarterly basis, accounting for the resources given, supported by increased audits, monitoring and evaluation activities. Emphasis on cultivating and growing donor relationships will also be prioritised, focused on keeping funding flowing into the organisation.



Increased upward accountability may help an organisation get better clarity on what it is achieving as it monitors and evaluates what it is doing for the funders. It may also help enhance achievement of the functions and mission-based activities of an organisation. The risk however is that an organisation may seek to conform to the divergent norms of the “strategic constituencies”, like the funders, in order to keep resources flowing into the organisation. The organisational goals, mission and strategies may instead be influenced by the funders because they wield power around access to resources essential for organisational survival (Benjamin, 2010).

The balance of power may even shift away from the governing board of a voluntary organisation (Golesky and DeReuter, 1999; Harris, 2001), leaving the role of the governing body fairly ambiguous (Hedley and Rochester, 1992). In which case, the board may become just an instrument of the principal, the funder, acting as an agent, to align the organisation’s goals and mission to those of the principal. This would expose the organisation to the highly unpredictable political processes and problems of loss of management control to external authorities (Tyminiski, 1998). Such external authorities may be so demanding and intrusive and may not be relied on for programme development or expansion (Gronbjerg, 1993). In turn, this would fundamentally affect the democratic accountability within the organisation. The staff, volunteers and the community may be the ones with tacit knowledge about the needs of the targeted service users. However, their involvement in decision making ability to influence the organisation’s direction will be systematically lessened.

It also has the challenge that it would reinforce the practitioner’s image of focusing on things that can easily be achieved and not the complex clients’ needs. This would shift the organisation’s emphasis on to profit focused management. Secondly, it would monopolise staff time that could otherwise have been used in serving the clients. This may not be the best use of staff time and is likely to create tension of meeting clients’ needs objective and keeping funding flowing (Marshall, 2007). Thirdly, the board would struggle with the challenge of maintaining board autonomy. It would struggle to maintain their freedom to identify, advocate and meet needs, in their way, in face of demands from their public sector funders.

### **Increased responsibility**

Inevitably, skewed accountability would come with increased accountability pressures, and would have significant implications across the systems and procedures of an organisation. An organisation would have to develop systems and processes to effectively deliver the contracts and demonstrate efficiency and effectiveness. These may be things like Health and Safety, and Financial Management and control systems.

As an organisation becomes exposed to the highly unpredictable political processes which affect the organisation's budget, board members would be involved in ever lengthy, specialist and complex negotiations with the funders about the contracts. In which case, the board members would act as intermediaries between the government and their own staff (Harris, 1998). So the board would become constantly preoccupied with the uncertainty of government funding, relationship with government bodies, resources their agencies will receive in the future for organisational survival, the need to compete and jostle for funding and the attempt to diversify funding to avoid over dependence on public sector sources which shifts with changes in public policy changes (Harris, 1998). This, inevitably, would mean less time to consider quality, type of service and other general operational matters.

So as a result of increased monitoring activities, there will be increased pressure to "adopt and swim with the flow" and there would be heavy sanctions for the boards that do not live up to the expected standards of accountability (Marshall, 2007; Benjamin, 2008; Benjamin, 2010). This would mean pressure to conform to a wide range of differing monitoring requirements. In large organisations, this would mean need to keep in touch with the organisation's day today work to ensure that funding requirements are met.

In effect, this would mean significantly increased responsibilities for the members of the board of trustees particularly the Chair, Treasurer and Secretary. However, it is unlikely that such governance costs would be covered by the contracts as they would not be directly related to the outcome based projects that are funded. In the main, such costs would be dependent on subsidies from voluntary income (Russell and Scott, 1997; Scott and Russell, 2001). So, on one hand the trustees would be

grappling with the challenges of developing, managing and sustaining the services. Whilst on the other hand, they will have to manage the simultaneous financial constraints on organisational core activities. All this will significantly impact on the organisation's goal setting function and involvement in the governance function.

### **Professionalisation of the board and staff**

In awarding a contract, funders will be looking for evidence that the board and staff are professional and highly qualified to evidence efficiency and effective monitoring. It is also likely that when a contract is awarded it will specify how the VSO should be governed and how the contracted project should be staffed. Often this would mean increased professionalisation of the board and the staff team, displacing the volunteers and community members both from the board and from service provision. This would mean that even organisations committed to participatory democracy are driven to become more hierarchical in order to inspire confidence and to gain support from the more hierarchical funders.

However, as emphasis is placed on professionalism, value for money and a sophisticated entrepreneurial approach to competition, by implication, the profile of members of the governing board and their staff has to change. As contracts specify the knowledge, skills and experience of staff required, there will be increased professionalisation of staff. Without change in the board profile, this would lead to an expertise gap between the staff and their board members, because of increased professional staff. As their work grows in complexity and as vulnerability of users increases, board members will become less and less able to challenge judgements of staff who would be the organisation's "experts", with accountability for the funding, at times, directly to the funders (Billis and Harris, 1992). This raises doubts as to whether the staff would be accountable to the board or to the purchasers of services, and whether the board is primarily accountable to funders or to its members.

Inevitably, therefore, organisations will have to seek, and a premium would be attached to, well qualified and skilled entrepreneurial board members for instance in areas like financial management, monitoring and evaluation, law, Media and PR. There will be a need for a level of expertise, across the board, to respond appropriately to changes and complexities of competition and its environment. Media

and PR work would particularly attract a premium, as organisations would seek positive media attention to increase their visibility. Organisations would therefore have to cast their nets wide either by headhunting or by advertising through the press for the required trustees to bring in a pool of required expertise, and with fundraising abilities and skills to identify hidden costs that accompany various programs and populations. Board members that are well connected to vital networks and potential sources of funding will equally attract a premium. However, when brought in, they will wield a lot of power and influence across the organisation (Adams and Perlmutter, 1991).

The advantage may be that, internally, it may mean a highly knowledgeable and inclusive leadership style that may help sustain a high degree of cohesion and morale for the organisation. It may lead to better service planning, better performance management, consistent service delivery and enhanced productivity. This may contribute towards greater achievement of the organisations' goals and mission. Externally, it may help an organisation improve its credibility to funders as an accountable and well governed organisation. Skilled and well connected trustees may help to open up doors for the organisation and may bring in grants, contracts, donated professional services, media attention and ability to shape policy through their linkages. They may help to advocate for their organisations and clients through their powerful coalitions. In addition, proximity to power and federations, may help to create proximity to public officials who can buffer or support an organisation and help an organisation expand its funding opportunities and media attention.

### **Impact on Democratic Accountability**

The dangers, however, are that the board may become polarised between the needs of those on the board representing the targeted beneficiaries and those on the board as professionals. The professionals will have the knowledge, skills and understanding of the conceptual framework within which the services are delivered. They will therefore be seeking that the organisation adapts to threats and opportunities to strengthen the organisation's strategic position. However, this may alienate the staff, volunteers and the community members, who may resist the changes and may not remain active and loyal to the organisation, and yet they may be the heart and memory of the organisation. This, however, may vary with the size

of the organisation, access to alternative sources of voluntary income, the perceived organisational legitimacy, power and visibility in the community.

Secondly, increased monitoring activities would have significant implications on the board members personal time as by implication it would mean a heavy workload. However, in the voluntary sector, being a board member is essentially a non paid volunteer leisure time pleasurable activity (Stebbins, 1996). Therefore, increased amounts of time required for board members to attend meetings to develop strategies, negotiate contracts, comprehend complex funding arrangements, liaise with other agencies, manage staff, prepare funding applications and lobby funders, may demoralise some board members. Expenditure constraints as a result of financial uncertainties, demands of tighter accountabilities, work type situations that may generate stress and with imposed controls, may make non professional board members feel that their membership is not pleasurable and so they may resign (Golesky and DeReuiter, 1999).

As the technical complexities increases, broad based governance and democratic accountability will decline, bringing in new lines of accountability (Powell and Friedkin, 1987; Leat, 1990). Civic engagement, participation and personal development of a wider spectrum of people, the traditional ethos of the voluntary sector, will also suffer (Scott and Russell, 2001). Recruitment and retention of new members will be difficult because of the new governance complexities and the increased complexity of board responsibilities may lead to board resignations (Russell and Scott, 1997). The qualification requirements will also narrow the range of people that an organisation can consider suitable as new board members (Marsden, 1996).

This study therefore hypothesises that:

***Proposition 3: The more the success of a voluntary sector organisation depends on winning market-based contracts, the greater would be the likelihood that its democratic accountability would be lessened.***

This proposition is premised on the grounds that the more an organisation succeeds in winning contracts, the more would be the technical complexity in answering to the

external authorities. In the main, this would mean loss of management control as the external authorities direct how an organisation should be managed (Tyminiski, 1998). Increased technical complexities in managing contracts of necessity require greater professionalization. Increased professionalisation would mean displacing the volunteers both from the board and service provision and greater professionalisation of the board and the staff team. All these would have significant impact on broad based governance in which democratic accountability is rooted. Broad based governance may not produce the right mix of skills required to meet the increased technical complexities of servicing the contracts. Organisational growth, based on contracts, would therefore 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, p335).

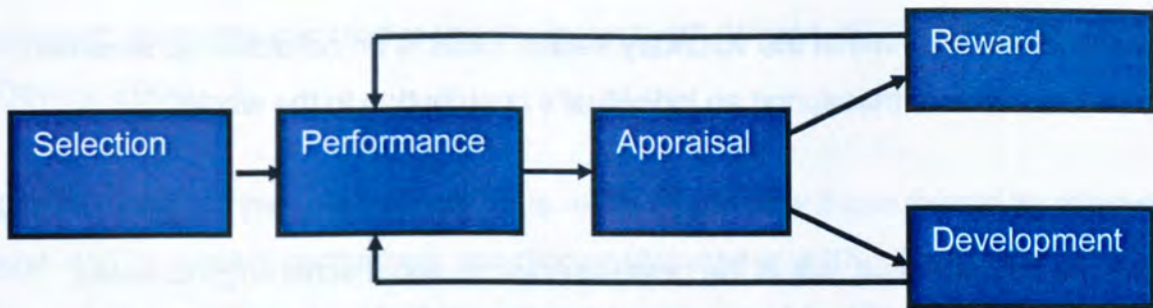
## **Section 2.6: Impact on the Organisations' Workforce Management**

According to new public management assumptions, if VSOs are to effectively compete, they must adopt the private sector workforce management model, focused on entrepreneurship. In this section, the study looks at how the competitive pressures of new public management, may transform a VSO's workforce management. The first part of the section, based on the literature review, draws out the paradoxes. The latter part of the section hypothesises on the possible transformational effect as a result of a VSO adopting the private sector workforce management model.

### **Introduction**

In the private sector, the primary objective of an organisation in its workforce management is to maximise workforce efficiency and effectiveness often based on an extrinsic psychological contract. This, therefore, defines how a private sector organisation recruits, manages, appraises, rewards and develops its workforce based on the workforce cycle illustrated in figure 2.1. However, within the voluntary sector the primary objective of an organisation is to meet the organisational goals and mission, often based on an intrinsic psychological contract that encourages voluntarism, informality and diversity. It is this voluntary sector ethos, that encourages the workforce paid or as volunteers to exert extra energy and remain committed to their organisations.





**Figure 2.1: The Human Resource Management Cycle**

### **Selection**

Within the private sector, management philosophy around the nature of exchange between employee and the organisation would tend to differ subject to the industry and organizational field (Rothchild, 2000; Rothschild and Milosfky, 2006). Successful companies would tend to strive towards the intrinsic contracts. However, generally within the private sector, especially within the manufacturing companies, there is tendency towards the extrinsic contracts (Rothchild, 2000). All key HR decisions like selection, appraisal, reward and development tend to be centralised. On the contrary, within the voluntary sector there is a high degree of commitment to an intrinsic contract. That is how voluntary organisations are able to get many people to work many hours for free both as paid staff and as volunteers. Management philosophy is based on wider participation of both the service users and people with the experience of using the organisation's services, in the organisation's service delivery and planning.

Within the private sector, recruitment tends to be weighted towards advertising and recruiting from the market. However, within the voluntary sector, the key driver is user participation and empowerment. In its recruitment, a VSO would be seeking service users, or from its volunteer pool, people with knowledge and experience of using its services. So in recruitment, the internal applicant would be given the first priority. This enables a VSO to reach out to the hard to reach population, and increases a VSO's equality and diversity.

Across the private sector, performance is weighted towards individual achievements and not towards team performance. This is because within the private sector rewards are associated with measurements of individual performance which is based

on results. However, within the voluntary sector, focus is on collective achievement because it is difficult measuring an individual's contribution to the whole.

### **Performance**

Workforce management, within the private sector, is about achieving increased individual productivity and increased efficiency which, at the aggregate level, ensures increased organisational productivity. This has emphasis on job design, division of labour, capital tools, physical space, social environment, quality of supervision and leadership. Within the private sector, a wide range of performance management tools are applied like Total Quality Control and others like the Balanced Score Cards (Rothchild, 2000). However, within the voluntary sector, in the main, recruitment is weighted towards social compatibility with organisational values and the social environment. For instance, traditionally, volunteers have not had formal job descriptions, and have not had formal supervisions.

Private companies also tend to match key executives to the business strategy. For instance, successful companies tend to use product portfolio analysis approaches; like the BCG Matrix, to strategic management, based on the product's life cycle notion. General Electrics defines its products in terms of the kind of management practices required for success (Lynch, 2009). For instance, for a Star, the management practice required would be a defender to protect its market, a "Harvester" for cash cows and "undertaker" for "dogs". Therefore, a manager recruited will depend on the product's life cycle. However, approaches within the voluntary sector are very much determined by historical precedents, rooted in the organizational values.

### **Reward processes**

Within the private sector, rewards, often after appraisals, are a major factor in influencing performance. Wages in the private sector tend to be relatively higher, especially for managers, as compared to their counterparts within the voluntary sector (Weisbrod, 1983; Frank, 1993). In addition, there are, a number of other reward incentives that the private sector can draw on apart from the wage compensations. One popular belief is the learning curve theory which posits that "manufacturing costs can be brought down by a fixed percentage, depending on the



product; each time cumulative volume is doubled" (Wright, 1936; Ryan, 1999; Davies, 2004).

On the contrary, the voluntary sector is restricted on how it can reward its managers and staff by what is normatively sanctioned (Alexander, 1999). Salaries tend to be lower in the voluntary sector, because a manager may be willing to supply labour to a VSO at lower price, because they believe in the goals and mission of the organisation (Preston 1989; Handy and Katz, 1998). But also, VSOs' missions tend to be difficult to measure and therefore cannot easily be attached to rewards. In addition, because of its informality, traditionally the voluntary sector has been perceived as less demanding and less stressful, encouraging individuals paid or unpaid to voluntarily contribute to the public good. Therefore, this has at times been preferred by the workers, even with lesser payments (Hodkinson and Nelson, 2001).

### **Development Process**

There are three major areas around the workforce development activity. The first one is assessing the individual's current performance and future potential and then identifying the key competencies that need to be developed in that particular individual. The second area is about career planning which longitudinally focuses on an individual's growth and development in relation to the organisation over a period of time. Finally, it is about succession planning to ensure that an organisation has the right mix of skills at any given point in time. Some of the policies used to achieve the above by many successful American companies like General Motors, Exxon, General Electric and Texas Instruments include compensation policies and salary administration to stimulate development and retention. They also use job training for lower level employees, long term development of senior managers, management education, mentor relationships, job assignments and life experiences based on an individual's performance results. However, such approaches are rare in the voluntary sector. This is partly because the sector has always worked on a shoe string budget and unable to provide for staff development. But also, there has always been only limited manpower planning within the voluntary sector. This is partly because of the nature of the funding streams that underpin the voluntary sector activities.

### **Appraisal process**

Within the private sector, in the main, focus is on an individual as a unit of production, based on the belief that it is through individuals that an organisation can achieve greater efficiency and increased productivity. But also, because often organisational divisions within the private sector, tend to be less integrated and more self contained with little interdivisional or corporate contact. Therefore, appraisals measures an individual's contribution to an organisation's profitability, return on investment, market share or other output measures to identify who is performing well and who is performing poorly. Data on the future potential of people in an organisation is then aggregated to aid manpower planning.

However, although there is an increasing appreciation of the value of staff appraisals, appraisals, is one of the least liked and least practiced activity within the voluntary sector. Like seat belts, everyone knows and agrees that seat belts saves lives, but not everyone wears them. Within the voluntary sector, often appraisals are characterised by poor designed procedures, psychological resistance to the results and sometimes invalid data. Partly, this is because of the higher degree of informality that has traditionally characterised the sector. However, it would also be difficult focusing on individual performance, because of lack of clear performance indicators.

### **Pressure to Adapt**

The difference between the private and voluntary sector models, therefore, presents a paradox of what would happen if the private sector model is applied within the voluntary sector. As seen earlier the private sector model promoted by new public management emphasizss disciplined focus on the financial bottom line, the for-profit's raison d'être, quality (of products or services), efficiency (cost management), competition, flexibility (assuring adaptation to change), Innovation (striving for continuous improvements in products and services), and performance management focused on results (outcomes). With the pressures for organisational survival, organisations in distress will look for outside models they perceive as successful and promising (DiMaggio and Powell, 1983). In the context of new public management, "successful" models are assumed to be found in the private sector.

It will not be so deliberate or by rational choice that a VSO adopts the private sector workforce management model. Viewed from the perspectives of both the resource dependence and neo-institutional theories, how an organisation adapts as a result of increased competitive pressures will not be rational and in most cases it will be unpredictable. Because of the competitive pressures, overtime, a VSO will be cognisant of the behaviours of competitors perceived as successful or as leaders in the organisational field and over time there would be consensus about the appropriateness or inappropriateness of such behaviours.

So, overtime, the pressure would be for organisations to acquire attributes of other organizations against whom they either depend, compete for resources and those within their organisational field perceived as the best in class (DiMaggio and Powell, 1983). In this case, through a process of institutional isomorphism, the mimetic pressure will be for a VSO to adopt private sector practices around workforce management, as the normatively sanctioned organisational paradigm (Zucker, 1987, p445; Oliver, 1992). As an additional incentive, conformity with the normatively sanctioned workforce management behaviours would be rewarded with increased legitimacy and resources, which in turn leads to increased chances of organisational survival. The highly competitive environment will preclude experimentation or deviance from the normatively sanctioned paradigm. But also, as argued by the resource dependence theorists, the managers as the dominant organisational actors would be much more interested in the organisational survival to perpetuate their own benefits from the organisation's activities.

Inevitably, therefore, a VSO, either by coercion or mimetic pressures would seek to benchmark practices of other organisations considered to be the best in class. In this case, therefore, VSOs will look more to the private sector corporations and commercial enterprises for workforce management tools and models in the hope of sharing their competitive advantages, and finding solutions to real or perceived financial challenges. Would these tools actually help an organisation improve performance and achieve its mission better? But above all, what would be the transformational effect on a VSO, if it is to align its workforce management to the private sector workforce management model of maximising workforce efficiency and effectiveness based on an extrinsic psychological contract?

### **Possible Transformational Effect**

Adopting the private sector workforce management model would have several implications for the sector. There will be pressure to focus on people, not necessarily aligned to the VSO's goals, mission or values, but people who are more entrepreneurial as well as good managers. So, focus would be on hiring staff with business expertise and skill, as opposed to mission-related acumen. In addition, non-mission-related outside consultants, such as accountants and lawyers, will be brought in to address issues like financial accountability and risk management.

New private sector management systems, emphasising productivity, quality assurance, budget discipline, or strategic planning, will be forced on a mission-oriented staff. This will be with a view of ensuring that an organisation drives down costs, achieves continuous improvement, strategically positions its self to more effectively compete, and in order to ensure that there are good performance systems in place to capture and report on outcomes according to the service specifications.

The recruitment processes will be much more formalised and aimed at recruiting those with skills and knowledge in relation to the contract specifications (Scott and Russell, 2001). Therefore, volunteer recruitment will become more selective, focused on recruiting those with skills. The selective recruitment of volunteers would make volunteer recruitment difficult and would undermine the developmental and social significance of voluntary activity and the concept of active citizen (Lewis, 1996). All this, is likely to impact on the voluntary sector's traditional ethos of voluntarism, informality and diversity.

Volunteer management would become more formalised in line with the contract specifications. In effect, volunteer positions will be monitored like paid positions. This would mean tighter specifications of volunteer tasks and more structured supervision and performance reviews to guarantee service levels and ensure service compliance. Informality would be replaced by more structured working hours to meet the contract specifications and to guarantee quality of services. Volunteers will inevitably experience increased responsibilities and increased workloads.

Some volunteers may like the more structured approach to their working life, particularly those using volunteering as a training ground for future employability. However, many volunteers, especially unskilled, young and people from the ethnic minority communities, not used to such structured approaches, may not be able to cope with the increased pressures. Consequently some volunteers will resign. Of necessity this would mean that volunteers will have to be replaced by paid professional staff to service the contracts (Lewis, 1996).

As part of the performance management the staff will be subjected to increased monitoring meetings, more structured supervision meetings, better collection of management information and performance management statistics. This is to ensure that the organisation maximises their efficiency. The paid staff of necessity would spend 75% of their time servicing the contract (Akingbola, 2003). In which case, professionals will be replacing volunteers as "...the new street level bureaucrats" (Smith and Lipsky, 1993).

The drive to cut down costs to achieve greater efficiency would impact on staff pay, jobs, pensions, hours of work and staff training and reduced holiday entitlements. Of necessity, this would require renegotiation of the terms of the contract to achieve a flatter structure where staff are assigned increased responsibilities to achieve more with less resource. Therefore, there will be increased pressure on staff which will undermine their commitment to the organisation.

Where an organisation faces decline in income as a result of loss of contract, individual jobs would be threatened. For instance, there might be massive redundancies, temporary recruitment freeze and not filling vacancies. 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).

Employers would search for increased flexibility around the employment contracts that they issue, with less concern for staff other than where a staff is deemed to have ability to influence the renewal of the contract. As a result of greater attention to cost,

efficiency and increased productivity, there will be harsher management approach to performance management with a view that the purchaser of a service is closely watching their performance. There will be more disciplinary cases and quicker suspensions "if anything goes slightly wrong", to prove to the purchasers that an organisation is strict on the quality of its provisions. There will also be a harsher clamp down on absences as a way of maximising productivity.

In order to cut down on costs, work previously done by qualified staff, unless specified in the contract, would be done by less skilled; poorly paid staff. As a result of poor pay and poor working conditions there will be a problem of recruiting the right people to the right posts. Poor pay would inevitably mean serious retention problems which in turn would affect the quality of services provided.

Employees are likely to be on short term employment contracts at par with the contracted project duration. This would pose a number of challenges. Firstly, the recruitment process is likely to be an onerous process as employers seek the most competent and most entrepreneurial candidates, most aligned to the employers' new bottom lines, but with limited resources. It is likely to be difficult attracting the most competent applicants to fairly unstable positions on short term contracts (Akingbola, 2003). Most competent staff may not be attracted to short term contracts, perhaps only if they have no other meaningful alternatives.

However, staff recruitment costs are unlikely to be fully covered by contracts. This at times may lead to deficits in project budgets, which have to be subsidised from other incomes. Secondly, it may be difficult to motivate staff on short term contracts to achieve the best out of them. For instance, it may be difficult to develop skills of a staff on a one year contract. So staff may be expected to provide their own training. However, the employer would be under pressure to exploit the good will of the staff to win contracts.

Fourthly, the short term contract would also be a source of anxiety for the staff. Partly, this will be because they wouldn't know whether their employment contracts would be renewed when they terminate. At the same time it would lead to problems of continuity and retention impacting on program effectiveness. Because of instability

around funding and uncertainty around future project continuity the contract staff would often be insecure and continuously looking for alternative employment. In turn, employees' job search activity would affect staff ability to effectively concentrate on service delivery and the clients' need (Akingbola, 2003).

There will also be increased stress and anxiety for staff as a result of contract tendering. As a result of the new regulations, Transfer of Undertakings for the Protection of Employees (TUPE), as the contract is tendered staff may not know who their next employer might be. This is because staff will be inherited as part of the contract by the successful bidder. So a staff previously working with a voluntary organisation may find themselves working under a private sector provider with completely a different set of values.

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).

Organisational effectiveness is about an organisation being able to search for a balance between the organisational goals and the hopes and aspirations of its members. This means that managers should be attending to the individual hopes, feelings, preferences, and valuing relationships across the organisation. It is likely that increased professionalisation and adaption of the private sector management practices will put all this under threat. The increased pressure to win and manage a contract, under new public management, will have far reaching effects on how an organisation selects, performance manages, appraises, rewards and develops its staff. There will be a drive towards greater efficiency and effectiveness driven by a search for a competitive advantage that may overshadow anything else.

Competitive pressures are likely to impact on service quality, employee morale, employee concentration and inevitably employee turnover. This in turn is likely to impact on programme stability, leading to low productivity and reduced organisational effectiveness. Staff and volunteers may resent the culture because it may not agree with the organisational values that attracted them to the organisation

in the first place, and why they may be accepting lesser pay or freely donating their labour. For instance, it may mean increased upward accountability, like completing bureaucratic forms to provide performance management information to the service purchasers.

This study therefore hypothesises that:

***Proposition 4: 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.***

This proposition posits that professionalisation comes in with centralisation, standardisation of procedures and specialisation of roles. This leads to bureaucracy that undermines the ethos of voluntarism, informality and the wider community involvement. This proposition also advances on the premises that professional staff, hired from the private or public sectors, or with management qualifications from business schools, would come in with certain mindset, dominant norms and organisational models, relational networks, trade and professional associations that condition how they relate to each other. It is argued that the more an organisation is professionalised, the more bureaucratic it becomes and the more the ethos of voluntarism is eroded.

## **Section 2.7: Impact on the Organisational Values**

Based on the literature review, the first part of this section, discusses the characteristics of the private sector and the VSOs' value models, drawing out the paradoxes. The latter part, based on the adaptive strategies, hypothesises on the possible transformational effect, when a VSO adopts and aligns to the corporate value model.

### **Introduction**

As in the private sector, financial health is the end in itself, the corporate value model stresses the value of competitive strategy, risk taking, competitive positioning and the discipline of efficiency in order to maximise profits. As a result, its goals and



mission, resource acquisition, governance and workforce management are all aligned to competitive values (Alexander and Weiner, 1998). However, VSOs come into being, and exist primarily to give expression to the social, philosophical, moral and religious values of their founders. So, for a VSO, financial health is a means to the end, and not the end in itself. A VSO exists solely to accomplish its value based mission. The voluntary sector value model is therefore based on community participation, due process, stewardship, equality, informality, collectivism and user empowerment. Emphasis is on user participation, equality and co-operation across the organisation (Gaster, 1995; Fenton and Inglis, 2007).

### **The Corporate Vs the Voluntary Sector Value Models**

As competitiveness is the ethos, organisations in the private sector, often tend to be inherently competitive. So, even within an organisation, emphasis tends to be on individual initiatives and achievements, where the system rewards people demonstrating such characteristics. There is, therefore, often a high degree of individualism. Senior management structures tend to be a collection of individuals competing for rewards, linked to performance (Bellone and Goerl, 1992). However, within the voluntary sector, although organisations compete for donors, market niches and contracts, competition within the sector has often tended to be subtle, in the main, based on differentiation. VSOs tend to be more concerned with public benefit rather than organisational dominance. Emphasis is on user participation, equality and co-operation across organisations, based on informality (Gaster 1995; Fenton and Inglis, 2007).

Firstly, as a result of competitiveness, in the private sector, staff work with a high level of independence and freedom but within a framework of rigid performance management targets against defined organisational objectives. This is designed, for instance in IT companies, to encourage greater innovation, increased efficiency and productivity to maximise profits. In discussing the values associated with “entrepreneurial management”, deLeon and Denhart (2000) argue that entrepreneurs are creative and innovative, but also characterised by a narrow focus, an unwillingness to follow rules and stay within boundaries, and so strong a preference for action. Bellone and Goerl (1992), explaining the higher value

attached to individualism within the private sector, adds that, entrepreneurship values autonomy, personal vision, secrecy, and risk taking.

Secondly, in the private sector, organisations tend to be hierarchical, especially in the manufacturing industries. Authority is vested in a central person and from that central figure, authority flows top down. The leader takes charge and organisational structure and accountability are unambiguously enforced through clearly defined organisational mission, objectives and strategy. There are normally routine strong performance evaluations linked to the organisational strategy to ensure that the organisational objectives are being achieved. People are less likely to challenge those in management as the leader is always right. Obedience and order tend to be highly valued as these ensure that business imperatives are being adhered to (Paton and Cornforth, 1992).

However, within the voluntary sector, traditionally, there has always been a high degree of collectivism as opposed to individualism. Because of lack of clear performance indicators and because reward is to effort and not result, there has always been a strong focus on the importance of the group or the organisation rather than the individual. Emphasis has always been on the value of working together to preserve the group characterised by complex decision making processes, based on committees rather than an individual. Often, there is effort to ensure that the committees are inclusive and have representation of the wide range of the organisation's stakeholders to ensure that their views are heard. Because of emphasis on collectiveness, line management within the voluntary sector has always tended to be fuzzy without clear hierarchical structures. VSOs have not tended to have clear defined strategies as such. Systems of strategic management and planning, which would ensure greater accountability bottom up, are fairly new to the sector. Therefore, performance evaluations have tended to be weak.

Thirdly, VSOs, traditionally, have often tended to strongly emphasise past success and therefore resistance to change, as organisational institutional references tend to value preserving traditions and culture. Those challenging tradition are often cast as boat rockers. In this way, traditions have been perpetuated within the sector.

Fourthly, the voluntary sector ethos has always been built on appreciation of equality

and diversity. Everyone joining the organisation adds value, talent, skill and resources, to the organisation pool, no matter what their job function may be. As a result, although there is often an appreciation of the loose hierarchical structures as necessary, vertical and horizontal interactions across the organisation have tended to be frequent and courteous, based on the principle of Equal Opportunities to enhance user participation and empowerment (Gaster, 1995) As a result it has always been an imperative to listen to each other's ideas, no matter how radical they might be, driven by a high degree of freedom of expression were internal stakeholders are encouraged and have opportunity to contribute to the organisation unfettered by unnecessary rules. For instance, service users are elected or appointed to the Board of Trustees to bring to the board the user experience.

Finally, there may be instances where a private sector organisation has to demonstrate that it is meeting key society's expectations, for instance around fair trade, environment and social responsibility. For the voluntary sector, this may be the organisational mission, an end in its self. However, for a private sector organisation, this would be as much as it helps the organisation, in the main, to enhance its market and attract shareholders valuing investing in companies that meet socially responsible investment criteria.

Therefore, both sectors have value models but only appropriate in their contexts. However, an increasingly competitive environment, with shrinking support from government and private donors, dictates that VSO acquire the efficiency, flexibility, innovativeness, and discipline traditionally represented in the competitive private sector. In addition, as a result of the pressures of institutional isomorphism (DiMaggio and Powell, 1988) and the normatively sanctioned organisational paradigms, VSO 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; Marshall, 2007; Benjamin, 2008; Wollebaek, 2009). Even the loftiest of missions will fail if its delivering organization lacks the financial stability to stay afloat; "no money, no mission". What then, would be the transformational effect of super imposing the private sector value model on the institutional frameworks of the voluntary sector?

### **Possible Transformational Effect**

It is inevitable, that when the private sector values are imported into the voluntary sector, or when people from the two sectors come together in an organisation, whether as staff or as board members, ambiguity will develop around the core traditional values and ethos. Emphasis would shift from community participation, due process, stewardship, equality, informality, collectivism and user empowerment. These would be replaced by greater emphasis on competitive value strategies, risk taking, competitive positioning, greater efficiency and better performance management to demonstrate organisational effectiveness. Organisational goals and mission, fundraising, governance and workforce strategies would all be aligned to competition and performance management as the new organisational values.

However, would the private sector model be sophisticated enough to meet the complex needs of a VSO? As a result of the competitive pressures, the strategies that a VSO adapts could erode its distinctiveness. As argued earlier, both the voluntary and the private sector operate on different internal value system and often seek different objectives. This has been an important way that VSOs have traditionally distinguished themselves from the private and public sector agencies (Rothschild and Milofsky, 2006). Adopting the private sector values, would undermine a VSO's culture, mission, traditional values and ethos, which would impact on the organisation's legitimacy.

Organisations will have to become more and more market led in order to survive. However, adopting the tools and values of the market would increasingly challenge the inherent value of the voluntary sector that organisations "come into being and exist primarily to give expression to social, philosophical, moral and religious values of their founders and supporters (Jeavons, 1992 pp 403-4). This is likely to sap away the organisational flexibility and responsiveness to community needs. Focus will increasingly shift to generation of commercial revenue based on competitiveness, entrepreneurship and increased performance management to maximise efficiency (Alexander and Weiner, 1998; Marshall, 2007; Benjamin, 2008).

There is evidence, however, that some organisations have successfully resisted the institutional pressures. In one such case study of a faith based organisation, Hienstra (2002) reports that, resource acquisition was more intentional than inadvertent. The

source and not the amount of income received controlled the board's policies (Hienstra, 2002). Contributions from the church congregation were seen as more important to the mission and vision of the organisation. The organisation utilised best service techniques in delivering services as long as such techniques were fit for purpose and compatible with the organisation's mission, vision and values.

Therefore, although there are some dissatisfaction with regulations and requirements attached to contracts and public sector funding, under new public management, in some cases these have been seen as manageable challenges rather than substantial threats to organisational values, missions and visions. It has also been argued that it is the organisation that makes the choice to seek the funding and accept the funding restrictions in the first place, and not the other way round (Hienstra, 2002).

The immediate impact on VSOs, however, will be the shift from informality and trust reporting systems, traditionally based on informal consultative processes and accepted institutional ethical codes of conduct. Under new public management, these would be replaced by more standardised procedures designed to support the delivery of the contracts.

Organisations would have to become hierarchical. This would mean lodging responsibility and managerial authority, at least ceremonially, in a formally defined role in order to interact with the hierarchical organisations. These are likely to be managers, most likely from the business sector. As discussed earlier under governance, managers may be committed to the organisational values but have other motivations that drive their actions. They may be more interested in the survival and growth of the organisation to enhance their compensations. In which case, they would gear the organisation more towards being able to compete and seeking out opportunities for growth. This would mean projecting an image that would help with winning contracts rather than serving the organisational mission.

In a context in which organisations are competing against each other for official support, it is unlikely that organisations would foster collaborative relationship on which traditionally successful policy alliances have been built. In such a context VSOs would have lesser need for creating social capital and building strong

relationships with members, community volunteers and other VSOs. They would be more geared towards providing social services for which they may be seeking or holding contracts. They, therefore, would abandon the network of social trust within and around the organisation.

This is likely to erode the internal participatory mechanisms for internal debate and inclusiveness in the decision making processes. It is also likely to erode the spirit of voluntarism, equality and diversity. A small circle of leaders, wielding power because they can influence access to resources, will tend to control the organisation's decision making and act to perpetuate their leadership, thereby reducing internal democratic control. The larger the organisation gets, which would be directly in proportion to the number and value of contracts that an organisation secures, the lesser would be that organisation's commitment to the traditional values and ethos of the voluntary sector.

This is likely to increase gender inequality and exclusion of the marginalised communities (Edwards and Hulmes, 1993). A VSO would cease to be based on voluntarism and on the voluntary ethos and would change to be based more and more on the values of competitiveness (Woods, 1996). Competition and the pressure to win contracts will replace collaboration and performance management will replace user empowerment. This will undermine the voluntary sector flexibility, discourage innovation and will increase commercialisation, politicisation and patronage of the voluntary sector. This study therefore hypothesises that:

***Proposition 5: The greater the threats to a VSO's survival, as a result of the competitive pressures, the more drastic would be the impact of contract and market based competition on its core traditional values and ethos.***

## **Section 2.8 Summing Up**

In conclusion, this study argues that the current competitive pressures are as a result of new public management focused on continuous improvement to achieve customer focus, market initiatives, efficiency and performance management based on outcomes. New public management and its assumptions were presented and discussed in section 2.1 of this chapter. In section 2.2 this study introduced the resource dependence and neo-institutional adaptive theories that throughout, in this

chapter have been used to underline the inevitability of adaptation. In section 2.3, 2.4, 2.5, 2.6 and 2.7, based on the literature review, the study has explored the differences around goals and mission, resource acquisition, governance, workforce management and organisational values, between the private and VSOs. In so doing the study has drawn out the paradoxes and presented the complexities of blanketedly advocating for the adoption of the private sector practices in the voluntary sector. Thereafter, in each of the sections above, using organisational adaptive theories, the study has hypothesised on the possible adaptive strategies and how that may impact on the organisation's effectiveness.

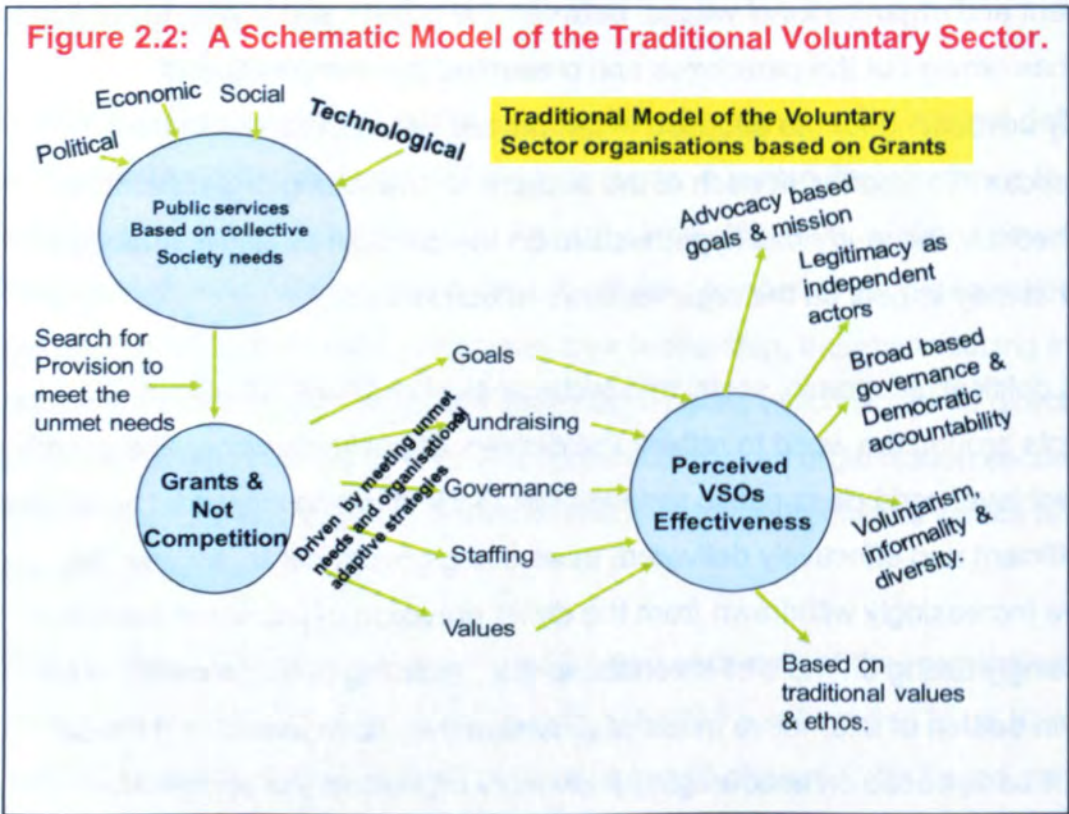
Therefore, political, economic, social and technological changes are forcing governments around the world to rethink the delivery of public services. The search is how to achieve world class public services tailored to meeting individual needs but which is efficient and effectively delivered. In so doing governments, around the world, have increasingly withdrawn from the direct provision of public services and are increasingly taking on more of an enabling role, enabling public services to be delivered. In search of alternative mode of provision they have turned to a mixed economy of care, based on encouraging a diversity of providers in competitive markets, regulated by contracts.

Within that context, the voluntary sector is seen as an alternative provider of choice because of its distinguished characteristics; advocacy based missions, legitimacy as an independent actor, broad based governance and democratic accountability, voluntarism, informality, diversity, responsiveness to users' needs and because of its traditional values and ethos. It is these distinguishing characteristics that endear the sector to society and lead to mistrust of the private sector as profit seeking for selfish ends. The emerging picture of the traditional voluntary sector is what is illustrated in figure 2.2 as the old voluntary sector institutional model hereunder.

For the voluntary sector to effectively participate in the new mode of public service delivery it must adopt values of new public management based on the assumptions of a) efficiency of markets competition as strategy of improving organisational performance across sectors and b) on the value of business management practices perfected by the private sector. These pressures, to the voluntary sector, come at a time of reduced funding available and at a time of increased number of organisations



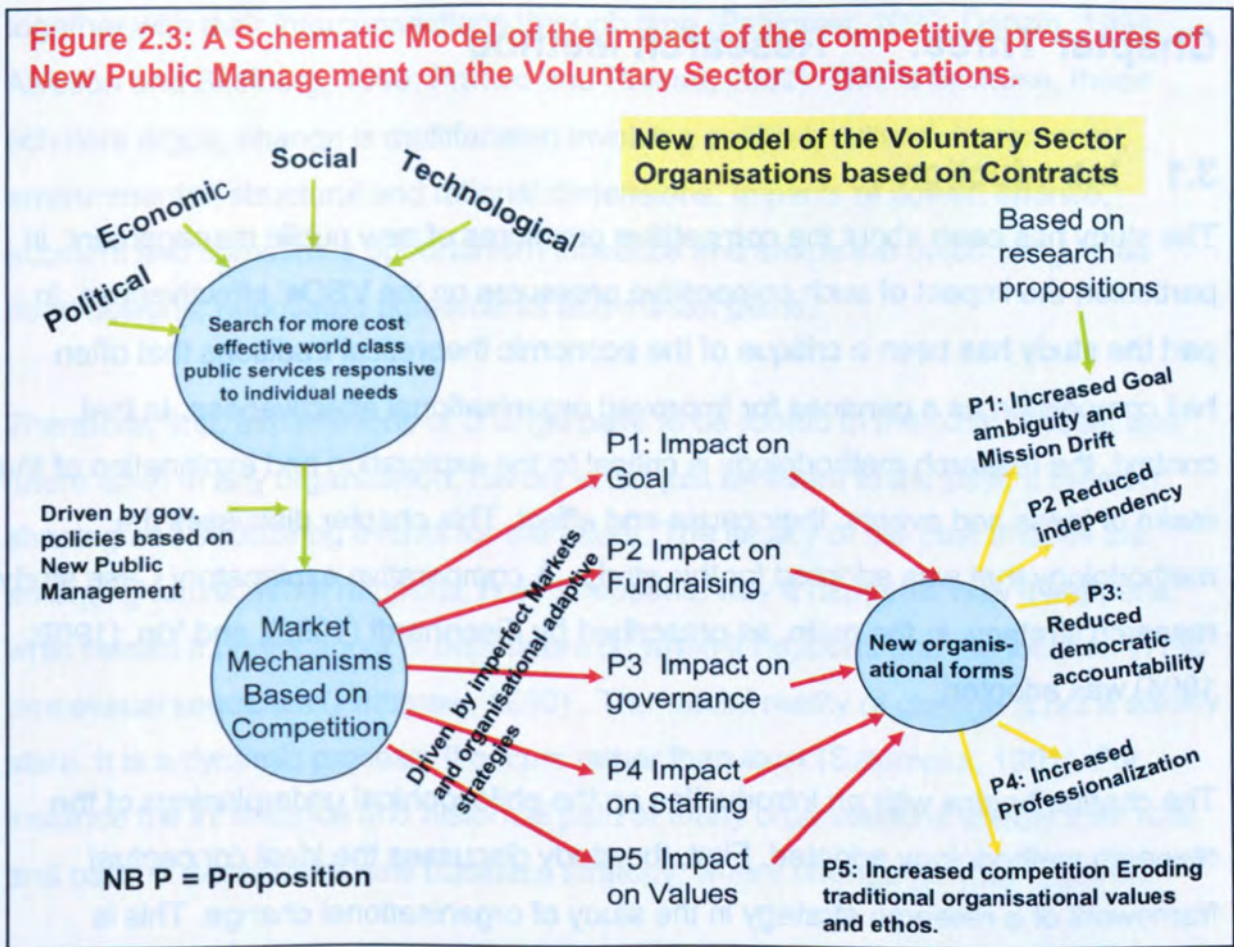
competing for a dwindling port of money. There are therefore increased pressures for VSOs to adapt.



The study has used two theoretical models within the organisational adaptive strategies to predict how organisations may adapt to the new institutional pressures. The picture that emerges of the two world of the voluntary sector is summarised in Figure 2.2 above and Figure 2.3, hereunder, summarises the new institutional model.



**Figure 2.3: A Schematic Model of the impact of the competitive pressures of New Public Management on the Voluntary Sector Organisations.**



Based on these theoretical foundations and literature review the study builds five propositions which are examined and explored in the context of three UK voluntary sector organisations; reported in Chapters four, five, six and seven. In the next chapter the study presents the research methodology, followed by the empirical findings of the study.

## **Chapter Three: Research Method**

### **3.1 Introduction**

The study has been about the competitive pressures of new public management, in particular, the impact of such competitive pressures on the VSOs' effectiveness. In part the study has been a critique of the economic theoretical traditions that often hail competition as a panacea for improved organisational effectiveness. In that context, the research methodology is critical to the exploration and explanation of the realm of ideas and events, their cause and effect. This chapter discusses the methodology that was adopted for this study.. A comparative explanatory Case study research strategy, in the main, as prescribed by Eisenhardt (1989), and Yin, (1989; 1994) was adopted.

The chapter begins with an introduction on the philosophical underpinnings of the research methodology adopted. First, the study discusses the ideal conceptual framework of a research strategy in the study of organisational change. This is followed by a discussion of the strength and weaknesses of the positivists' research strategies rooted in the economic theoretical traditions. Case study as a research strategy is then defined followed by a discussion of its strength and weaknesses within the qualitative research methodology. The subsequent subsections, thereafter, present the study's case selection strategy, data collection, data analysis and how ethical considerations pertinent to this study were addressed. In so doing and throughout this chapter, the study tries to explain how the perceived weaknesses of the adopted research methodology have been addressed.

### **3.2 Theory of the method that guided the study**

The study has been about change, featuring how the competitive pressures of new public management characterised by contracts and market based competition, are transforming the VSOs. It has been about testing out the propositions developed from the literature review. The propositions developed, were about organisational change, as a result of new institutions and the new competitive environment. A number of researchers have argued that theoretically sound and practically useful research on change should explore the contexts, content and process of change

together with their interconnections through time (Pettigrew, 1990; Denzin, 1994; Alvesson and Skolberg, 1999; Prasad and Prasad, 2002). This is because, these scholars argue, change is multifaceted involving political, cultural, incremental, environmental, structural and rational dimensions. Impacts of power, chance, accident and sometimes opportunism influence and shape the outcomes just as does designs, negotiated agreements and master plans.

Therefore, first, explanations of change have to be rooted in the past, present and future time. In any organisation, history is not just an event in the past; it lives on, shaping and structuring events for the future. The legacy of the past shapes the emerging future. What happens, how it happens, why it happens, how it happens, what results it brings about is dependent on when it happens and the location in the processual sequence (Pettigrew, 1990). The social reality of change is not a steady state. It is a dynamic process. It occurs rather than exist (Sztompka, 1991). For instance the inheritance and historical path of many organisations affects their rate and pace of adoption of new business strategy, where change may be required.

Context refers to the outer and inner context of an organisation, where the inner context is conditioned by the outer context through which ideas for change proceed and vice versa. The inner context refers to the structural, cultural and political arrangements, features of an organisation that are shaped by the external economic, social, political and sectoral environment. Context presents phenomena whose vertical and horizontal levels of analysis and their interconnections over time impacts on the direction of organisational change. With vertical interconnections, this study is referring to the interdependencies between the higher and lower levels of a phenomenon that should be analysed in the study of change. An example of the vertical interdependency may be the impact of socio economic contexts on the features of intra-organisational contexts and interest groups. The horizontal interdependencies, refers to the sequential interconnectedness among phenomena in historical, present and future times.

In any organisation, therefore, analysis of change needs to explore the context and action. Context is a product of action and action is a product of context. Causation is neither singular nor linear (Pettigrew, 1990). Explanations of change are holistic and

multifaceted. Change can be as a result of actions of individuals and groups, context and structures, patterns and idiosyncrasies or continuity and change itself. It is against that background that the subjective interpretations of actors, perceiving, comprehending, learning and remembering, shape the process of change. Therefore, emphasis on studying change should be on the context, process and actors that shape that change.

However, much of the existing research on the effect of competition or in particular; competitive pressures, is rooted within positivists traditions where organisational actors are assumed to be guided by the rational choice theory as a framework for understanding and often formally modelling their social and economic behaviour. Such studies, traditionally perceived as offering scientifically sound organisational analysis of change, have tended to be ahistorical, aprocessual and acontextual in character (Pettigrew, 1990; Sandberg, 2005). Rooted in the positivistic paradigm and often perceived as the scientific approach to research, such studies employ experimental and quasi experimental strategies. They assume that data can be sorted, classified, and measured in a strictly "objective" way, capable of being accurately described by a set of rules or formulae or strict procedures which then make their definition and interpretation, unambiguous and independent of individual judgements (Giorgi, 1994; Pettigrew, 1990; Sandberg, 2005).

Such researchers tend to assume rational, linear theories of planning and change. They assume actions to be ordered and sequenced in order to achieve rationally declared ends (Giorgi, 1994). Such theories assume, for example; a rational allocation of resources, or a rational corporate strategy. The individual's goals or motives are taken for granted and not made subject to criticism, ethical or otherwise. The actors in organisations are perceived to be acting mechanistically and altruistically in pursuit of organisational goals. Sometimes rationality implies having complete knowledge about all the details of a given situation (Blau, 1970; Hall, 1987b). They ignore the content, context and processes of change over time and the complex, haphazard and often contradictory ways that change emerges. Thus, rationality simply refers to the success of goal attainment, whatever those goals may be.

Such research studies have tended to be mostly preoccupied with examining target statistical and input figures with little regard for the history, processes and actors involved in transforming inputs into outputs. In such functionalist/economic theoretical tradition, the inner workings of a firm are considered analytically irrelevant and the firm is treated as a black box with a focus on attributes at an aggregate level rather than at an individual level, attributes that can easily be observed and measured. They also tend to limit themselves to snap shot cross-sectional time series data (Pettigrew, 1990). The central argument, in the positivists' research methodology strategies, is that critical concepts like attitudes, cognitions and values cannot be accurately measured because they cannot easily conform to law like patterns to enable prediction. In the context of these traditionalist research methodologies, variables can only prove as good predictors when they provide effective and consistent predictions for some outcome, regardless of the context in which cause and effect is studied.

### **3.3 Advantages and weaknesses of the Positivistic strategies**

Such research strategies have the advantage that they use standardised methods and apply prescribed procedures to ensure validity and reliability and to allow greater objectivity and accuracy of results (Giorgi, 1994). This however, also, has its own disadvantages. For instance; with experiments, research is carried out in unnatural and artificial environments, out of context and applying a level of control to the exercise (Giorgi, 1994; Pettigrew, 1990; Sandberg, 2005).

Secondly, standard questions by researchers may allow a much broader study involving a greater number of subjects and may enhance the generalisation of the results. The problem however with such research strategies, often associated with surveys, is that studies tend to collect narrower and sometimes superficial dataset limited to numerical descriptions rather than detailed narrative. As a result, they tend to provide less elaborate accounts of human perceptions, contexts and processes (Sandberg, 2005). Preset answers may not necessarily reflect how people really feel about a subject and some cases may just yield laboratory results rather than real world results. Such research methods may at times lead to structural bias and false representation of organisational actors, where the data represents the researcher's views rather than the views of the researched. At times, generated statistics may

also be humanely insignificant, therefore yielding insignificant results and it may be difficult getting real meaning of an issue by looking at numbers (Krugger, 2003).

As a result, such strategies fail to provide data on mechanisms and processes through which changes are created. They tend to restrict themselves to intricacies of narrow changes rather than the holistic and dynamic analysis of change. There are not, therefore, many studies of organisational change, within the positivistic tradition, that have allowed change to reveal itself in any kind of substantially temporal or contextual manner. In such studies, the focus has tended to be on single events or sets of discrete episodes fairly distant from the immediate or more distant antecedents that give events in organisations forms, meaning and substance (Pettigrew, 1990; Sandberg, 2005). Such research methods would not therefore be ideal for this research which is about collection of behavioural data and data about context, processes and actors.

Therefore, although positivistic types of approach to the study of organizational behaviour are still widely retained, there is an increasing recognition that unquestionable rationality can only be expected in artificial intelligence where a rational agent specifically defined as an agent who always chooses the action which maximises its expected performance, given all of the knowledge it currently possesses. It is arguable whether or not people or organisations are "really" rational, as well as whether it makes sense to model them as such in formal models. Some authors have argued that a kind of bounded rationality makes more sense for such models. Others have argued that any kind of rationality along the lines of rational choice theory is a useless concept for understanding human and organisational behaviour.

As a result alternative paradigms to understanding organisational behaviour have emerged (Weick, 1969). Such approaches include the neo-institutional theory (Perrow, 1961; Zucker, 1987) and the resource dependence theory (Pfeffer and Salancik, 1978) discussed in the preceding chapter. Such emerging paradigms challenge the black box notion which focuses on the aggregate variables to predict allocative efficiencies and productive effectiveness. The neo-institutional theory focuses the researcher's attention on the inability of organisational actors to act



rationality; independent of their environment. While the resource dependence theory, although it acknowledges a high degree of rationality, it also acknowledges the high degree of external environmental influences not linked to production processes that significantly impact on organisational structure.

It is not unanimous, but the shift from focus on rationality choice to acknowledgement of other variables in understanding organisational behaviour, represents a shift from quantitative to qualitative research methodologies. Variables focused on organisational allocative and productive efficiencies can be studied through quantitative methodologies. However, variables focused on other organizational factors like contexts, processes and actions like the passage of legislations and the development of strong social norms within an organisational institutional field, are increasingly requiring qualitative research methodologies that can enable constructs that account for individual and social lives and acknowledge phenomenal experiences.

Therefore for purposes of this study, the choice of methodology took into account the characteristics of the phenomena that the project sought to understand. First, the project acknowledged that the subject of study had a life of its own. Secondly, the project acknowledged the centrality of institutions in constituting the subject of this study as it is institutions that give rise to social life. Thirdly, the centrality of institutions both from the neo-institutional and resource dependence theory perspectives has enabled the study to apply theoretical models that can in a way enable prediction, based on adaptive strategy theories, akin to the positivistic rational inquiry.

Finally, the project acknowledged that no inquiry of institutions can be conducted without reference to their history, the context in which they were formed and their inner processes that drive, shape and structure organisational events for the future. The project, therefore, sought a research methodology that could allow a contextual, processual, historical and actor analysis. In that context, an explanatory Case Study research method was deemed most suitable and accordingly adopted for the current study to analyse the context in which the selected case study organisations were formed, the inner processes that as a result of the competitive pressures of new

public management drove, shaped and structured events in their organisations and their future.

### **3.4 Case Study research method defined**

Case study is a research method that through an empirical inquiry investigates a contemporary phenomenon within its real life context (Yin, 1984). It is a holistic approach to research encompassing the entire life cycle of a case. Often associated with qualitative research method, Case Study as a research strategy does not necessarily imply use of a particular type of evidence. It can be qualitative or quantitative. Evidence could be from archival records, field work, verbal reports and observations (Gross et al., 1971; Creswell, 1998; Yin, 2003). Indeed there are some Case Studies where evidence has solely been quantitative. See, as an example, the study of Economic Development in Urban areas by Vietorisz and Horrison (1970). Case study method does not also imply use of particular data collection method like observation or ethnographies. Numerous case studies have been done without applying such data collection methods. Neither does application of such data collection methods mean that a particular study is a case study.

Case study is a research method that, like an experiment, a history or a simulation, can be considered as an alternative research strategy. Neither an experiment nor any of the other research strategies are linked to a particular form of evidence or a method of data collection. There are a number of experiments e.g. in biology and neuroatomy that have used qualitative evidence or qualitative methods of data collection and where statistical analysis has been irrelevant. However, even quantitative indicators have been used in history (Furet, 1971). Unlike the Case Study research strategy, however, experiments divorce a phenomenon from its natural context. That, therefore, makes Case Study such a versatile research strategy because it can examine a contemporary phenomenon in its real life context, especially, when the boundaries are not clear.

Like in any other research, the first step in a case study is to identify a research problem that steers the research process. The researcher then establishes the focus of the study by forming a research question or testable hypotheses/propositions and determining the purpose of the study. The method allows use of different techniques



of data collection which may include surveys, interviews, focus groups, document reviews, observation and a collection of physical artefacts which can then be brought together through the triangulation process. Each object in the case study is likely to be intricately connected to political, social, historical and personal issues, providing wide ranging possibilities for questions and adding complexities to the case study. The researcher investigates the object of the case study in depth using a variety of data gathering methods to produce a chain of evidence in response to the investigation which leads to understanding of the case and answering the research question.

Several social scientists have compared such an exercise to an analogy of a detective at a scene of crime (Truzzi, 1976; Cook and Campbell, 1979; Yin, 1981). Presented with a scene of crime, its description and possible reports from eye witness accounts, the detective must constantly make decisions regarding the relevance of various data. Other clues to the investigation must be recognised and vigorously pursued, using a variety of techniques available to the detective but ethically acceptable and admissible in a court of law.

The search for explanations is a kind of pattern matching process. The process can be applied even if there is only one single case because the pattern must fit multiple implications derived from an explanation or theory (Campbell and Stanley, 1966). Therefore, explaining a phenomenon would involve first accurate rendition of the facts of the case. Secondly, some considerations of alternative explanations of these facts and, thirdly, drawing justifiable conclusions based on the single explanation that appears most congruent with the facts of the case. This is like a generalised theory building process. The adequate explanation of a crime then becomes a plausible rendition of a motive, opportunity and method that more fully accounts for the facts than other possible alternative explanations.

In multiple cases of crime, akin to multiple cases in Case Study, a detective produces a tentative explanation for a single crime, within one case. When confronted with another case, where the relevant conditions appears to be similar to those of the first case, a detective may be able to use explanations from the first case, using similarly discernible patterns, to establish that the crime was committed

by the same person of such a DNA profile. Modifications may be necessary in applying the explanations to the second case and the detective must learn to ignore irrelevant variations from case to case. Therefore a detective must know the acceptable levels of modification in the original explanation as new cases are encountered.

In the context of this study, presented with the scene of crime; as an analogy representing each of the three case organisations, the researcher, as the detective, has collected various data using a variety ethically accepted techniques. So to explain the phenomena, in chapters four, five and six the researcher presents an accurate rendition of the facts of the case based on explanations that appears most congruent with the facts of each of the case. These are presented as tentative explanations for a single crime in each of the case organisation. But as the relevant explanations appear to be similar across the three cases, the researcher has used discernible patterns to establish an adequate explanation of the drivers and consequences of change across the three organisations, presented as the cross case analysis in chapter seven.

### **3.5 Weaknesses of the qualitative research method.**

In the main, rooted within the phenomenological qualitative research methods, Case study is not yet properly developed to produce specific sets of guidelines for future researchers. Therefore, Case study research strategies have been criticised as unjustifiable and inadequate (Giorgi, 1994; Jones, 1998). It could be any other form of data collections, but there are three main ones associated with case study research strategies; archival data, interviews and company documents analysis. These are often used to access multiple sources of data and then triangulated to enrich the study. These however are often perceived as unscientific in nature and whose replication is almost impossible. It has at times been argued that without thorough renewed efforts at methodological inquiry: "...qualitative research on organisations cannot be expected to transcend story telling" (Miles, 1979:600). As such, Case Study research methods have at times been viewed as only useful as an initial exploratory research tool.

Firstly, there is concern that documents may be unreliable as meanings and messages are often coded in respect of their contexts, time horizons and accompanying narratives. If a researcher is inexperienced they may misinterpret the documents and draw unjustifiable conclusions which may be out of context. Secondly, interviews rely on people's memory which at times may be patchy. In addition, interviews are often loaded with challenges of respondents' emotions, feelings, attitudes and perceptions. Thirdly, it is also argued that, because of their intense exposure to the study, Case studies often tend to bias the findings and as such offer limited grounds for establishing reliability or generalisability (Giorgi, 1994; Jones, 1998). Therefore the three challenges around data collection, it is argued, may at times make it difficult obtaining an accurate representative sample and that may restrict the generalisability, comparability and the consistency of the data collected.

Fourthly, there is a fear that cross-case analysis, in Case studies, is not that well formulated than within site analysis. As a result it has been argued that the result of Cross-case study analysis can only be thin generalisation across cases (Miles, 1979). This however may be the same, equally, in cross experiment generalisations that are also not yet that developed to a clear operational formula.

To address such weaknesses, Eisenhardt (1989), Simons (1980), Yin (1989; 1994), Stake (1995), and Creswell (1998) have developed complimentary robust procedures around using case studies as a research strategy that when followed the researcher will be following method as well as developed and tested in the scientific field. Such procedure emphasise that the right technique is applied to the right research question. Secondly, that the technique is applied properly. Thirdly, that the analysis follows scientific conventions of techniques in other social science fields. Fourthly, that "a chain of evidence" exists obtaining and archiving qualitative and quantitative data for analysis. Finally, that the appropriate Case Study is tied to the appropriate theory.

As a result, of such guidelines, a number of studies are reaffirming Case studies as a systematic research tool. Although major improvements are still needed, an acceptable craft has already emerged. This study has followed these guidelines to

the letter, but akin to the earlier analogy of a detective at a scene of a crime, the researcher has intuitively made the necessary adjustments, wherever appropriate, conditioned by the field circumstances. This is echoed throughout in discussion of the data collection and data analysis strategies applied to this study. That has helped the researcher to increase both the internal and external validity, and the generalisability of the research findings.

### **3.6 Advantages of the Case Study research method**

In this study, and as cited by researchers and advocates, the method has enabled the project an emphasis and collection of data that is processual, with emphasis on action as well as structure overtime (Yin, 1984; Denzin, 1994; Giorgi, 1994; Alveson and Skolberg, 1999; Prasad and Prasad, 2002). Case study as a research strategy has enabled the researcher to take into account the historical evolution of ideas and actions for change as well as the constraints within which the decision makers were operating. This has allowed the contextual examination of relationships between process and context at the different levels of organisational analysis.

The method has been particularly helpful, because in this case the boundaries between the phenomenon and the context have not been clearly evident and as a result the investigation has required multiple sources of evidence, which have been used and triangulated. The research strategy has enabled the researcher to approach the subjects in a sensitive way by allowing the researcher to apply his personal skills. The method has also allowed application of multiple research techniques in data collection, greatly enriching the study, helping to clarify ambiguities or confusion over concepts and helped to offer an in-depth description of contexts, processes and real life experiences of actors rather than their demographic statistics (Krugger, 2003).

The method has enabled the researcher, a search for holistic rather than linear explanations, linking features of context and process to certain outcomes. The study has also been able to seek for holistic explanations within and between cases. The project therefore presents findings not lost in the world of abstract or timeless scores but heavily rooted in the live social contexts of organisations and their actors. The

investigation has been focused on real times, real people and places as referents and this has helped to provide a clear focal point and anchor for the whole of the investigation, evident in the presentation of the findings.

Finally, the multiple techniques of data collection applied and then triangulated have allowed analysis of how the outer and inner contexts surrounding the organisational processes, of the organisations' studied; have shaped change and the sequential flow of events overtime. That has enabled the research project a more in-depth view of the story and a more detailed view of the events in the case organisations, which a positivistic structured survey, could not have achieved. In the following sections, the research discusses the selection of the cases, data collection, data analysis and how ethical considerations and limitations pertinent to this study were managed to increase the internal and external validity of the findings.

### **3.7 Case Selection Strategy**

In selecting the cases, the study took into consideration recommendations of Miller and Friesen (1982), Tilly (1984), Creswell (1998) and Yin (1994; 2003), on case selection. On the number of cases Miller and Friesen (1982), and Yin (1994), have argued that the number of cases would not matter and that even one case study can be satisfactory as long as the treatment of case materials is sufficiently generic, follows the defined protocol and as long as the nature of the findings are suitably unique or in other ways strong. However, Yin (2003) adds that multiple case studies are "considered more compelling and the overall study is therefore regarded as more robust". Nevertheless, 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 study, three case organisations; BrAVA, the Refugee Council and Shelter were selected as organisations where the impact of the competitive pressures of new public management was evidently observable. These organisations had experienced a high level of the phenomena under study and clearly evidenced the impact of the changing business environment and business strategy. Change had occasioned a high degree of concern amongst their stakeholders and within the

organisational processes. They were also selected because of their contrasting characteristics (their age, size, proportion of statutory versus non statutory income and the types of services that they provided). Based on the five testable propositions, developed in the preceding chapter, the study aimed to explore, the background to change, what had caused change, and in the main, the impact of that change on the case organisation.

BrAVA presented an example of how organisations with a strongly based advocacy mission, were managing amidst the fierce competition. It was founded with strongly an advocacy based mission, to provide capacity building, information and to act as the independent voice of the voluntary sector in Brent. Traditionally, such activities have been funded by the public sector. As result of change in funding priorities, there was less funding and the organisation had to adapt in order to survive. As part of its adaptive strategy, the organisation had prioritised easily reimbursable direct service provision as opposed to advocacy. In 2009, volunteering, targeted at reducing unemployment, accounted for over 60% of the organisation's budget.

The Refugee Council was selected because at a point in time its income had shot up from seven million to over £60 million as a result of a contract with the Home Office to provide immigration related support to refugees and asylum seekers. As part of the contract the Home Office required the Refugee Council to act in the best interest of the Home Office, which went against the organisational values. Eventually, the Refugee Council was forced to withdraw from the contract, and its income tumbled down to less than £20 millions. This however was with a lot of fuss, hitting the news headlines.

Finally, Shelter was selected because it had previously had a very good employment track record. It twice won an award as British Employer of the year, awarded by Britain's Top Employers™, a project that delves into the heart of employer intelligence through the HR Benchmark™ research process. It was awarded because it paid good salaries and had pro staff favourable employment conditions. However, in 2007, it found itself threatened by bankruptcy because its unit costs were higher than those of its competitors. The organisation was therefore forced to reduce staff salaries by over £2,500, in order to bring its unit costs down in line with

its competitors. This attracted press headlines and bad publicity for the organisation. One of its life long time supporters, an internationally renowned painter and teacher went on live UK TV to ask the public not to donate money to Shelter ([www.kennethlochhead.com](http://www.kennethlochhead.com), accessed August 2011).

Therefore, case selection targeted case organisations that had experienced extreme situations, critical incidents and social drama. These were sought as cases providing abundant evidence of growth, evolution, transformation and possibly decay overtime. The overall guiding criteria in the selection of the cases was the recruitment of cases that through analysis of their goals, emergence and transformation, changes in systems and beliefs, power relationships and organisational values, could enable a contextual examination of the history, processes and actors involved in relation to the developed propositions (Yin, 1984; Whip, Pettigrew and Sparrow, 1989). The project sought cases that could enable examination of the sequence of drama allowing varying readings to be taken of the development of an organisation, the impact of one drama on the successive and even the consequent dramas.

### **3.8 Data collection**

The study covered the period 1998 to 2009. However, some of the data collected for instance with the Refugee Council and Shelter dated way back pre 1998. The data was collected over the period December 2008 and July 2009. There were three main forms of data sources; a) archival materials; b) interviews with key informants; and c) examinations of newspaper articles, trade journals on the cases, and observation and participation in on online discussion groups for background information. Details of the data sources and how that facilitated answering the research question is discussed under the above outlined three headings.

#### **3.8.1 Archival materials:**

A wide range of archival materials have been reviewed. These have included protocols of the case organisations' board meetings; company internal documents the organisation's published annual reports and relevant inquiries in relation to the case organisations. In relation to BrAVA and the Refugee Council, the researcher had an unlimited access to the proceedings from the Board of Trustees' meeting and the company internal documents like the funding applications, midterm and end of

contract reviews, annual reports, brochures, press releases and the annual strategy evaluations. The Board meetings had been regularly held and the minutes had appendices providing discussion papers, to agenda items, to aid decision making. In relation to Shelter the researcher was allowed unlimited access to the organisation's intranet and had access to confidential documents that he asked for. In addition, across the three organisations the study had access to the organisations' internal journals, newsletters, data collected from previous research, email communications and memos; considered of relevance to the study, and several other documents offered by the respondents as part of the interview process.

In some cases the study had access to evaluations of how organisational choices were impacting on a particular case organisation's strategic direction. In addition, company annual reports for the period 1998 to 2009 were studied. These were public documents that were readily available in the public domain either on the organisation's website, the Charity Commission or through the national or regional umbrella organisations' websites. Other information was obtained from the local support organisations or the local authorities' database on the voluntary sector. The Audit Commission database and the Parliamentary inquiries provided additional, extremely valuable, sources of information that enlightened the researcher's understanding of the institutional environment.

Recognising the weaknesses of document analysis in data collection, all the documents were meticulously reviewed for their validity so as to avoid incorrect data being included on the data collected database. As recommended by Yin (1994) they were compared with other multiple sources of data for their validity. However, such materials provided rich background information to the thinking at the time, which had informed the key strategic decisions made, that had impacted on the organisation's context. It provided the researcher with an in-depth understanding of the pressures that the organisations were grappling with, that had informed the organisations' strategic options. The researcher's professional standing in the voluntary sector, as a long term senior practicing manager, greatly enriched access and data collection from multiple sources. In addition, data collection from multiple sources and then triangulated helped to substantiate or to disapprove claims that may have been picked up through other data collection means. The detailed financial reports



available in these documents provided additional materials that helped enlighten and provide an exhaustive account of the changes that the case organisations were undergoing and the associated time lines.

### **3.8.2 Interview with the key informants**

As soon as a case organisation was selected, the researcher contacted it to secure their agreement to be part of this study. The initial contact was by telephone call followed by an email outlining the aims of the study and assurances around confidentiality for both the respondents and the case study organisation. The responses from the case organisations provided the researcher with an opportunity to respond to any query or concern that any case study organisation may have had and this was followed by a meeting that scheduled activities of the research and signing of a confidentiality agreement.

At the Refugee Council and Shelter the researcher was assigned a named contact that helped in facilitating the research process and the selection of the key respondents, from their organisations, based on criteria given by the researcher. At BrAVA the researcher directly selected the respondents. As the criteria, the study aimed to have a good mix of respondents to capture a wealth of experience across the various stakeholders' groups including the trustees, senior management, staff and the volunteers. It was a requirement that staff and volunteers interviewed should have been with the case organisation for more than three years. The length of service with the organisation was to ensure that all the respondents had had the opportunity to somehow witness change within their organisations. In addition, the study sought to interview partners from collaborating organisations and the case organisations' lead funding officers.

The interview questions were structured around the five propositions developed from the literature review guided by the underlying research question. Under each of the propositions semi structured questions were asked focusing on the background to change, the cause and process of change, and the consequences of change. A sample of the interview questions asked is attached as Appendix 3.2. Depending on the background of each interviewee the specific question in each topic were slightly changed. A sample copy of the interview guide is attached as Appendix 3.3. The interview guide only provided a general framework and the respondents were free to

expand on any topic or details which they thought were relevant to their experiences and involvement.

To address challenges around interviews in data collection, all interviews were conducted according to the interviewee's schedule and availability, as suggested by Feagin, Orum and Sjoberg (1991). To minimise errors, the researcher exhibited a lot of credibility as a reflective senior practicing manager within the voluntary sector and a very good grasp of the risks of respondents in the sector, sharing sensitive information with a researcher. Drawing from the researcher's skills, ability, confidence, articulateness and enthusiasm, the researcher, also sought to display a lot of professionalism in handling sensitive topics, which helped enhance the researcher's credibility and rapport with the respondents. It also offered increased motivation for both the individual respondents and their organisations to participate in this study.

The purpose of the interview and the benefits of the research were explained to all the respondents as part of the process of obtaining their informed consent to participate in the research. All respondents were reassured on confidentiality to allay fears, anxieties, suspicions and tensions that may otherwise have arisen. Throughout the interview process, the researcher avoided biased questions and, as much as possible, allowed the respondents time to think the questions through.

The number of respondents contacted was more as a strategy of managing none response. However, in total 34 respondents were interviewed; 12 respondents from BrAVA, 12 at the Refugee Council and 10 at Shelter. Details of the respondents that were interviewed together with their roles and length of service in their case organisations are attached as Appendix 3.4. The people interviewed represented the trustees, senior management, services managers, staff and the volunteers. At BrAVA, the respondents included BrAVA funders, staff and managers from the BrAVA member organisations. At the Refugee Council and Shelter, as larger organisations, care was taken to ensure that a respondent from the organisation with in-depth knowledge, in each of the five propositions' area, is interviewed. Across all the three case organisations, as a criterion, all the respondents had had association with the case organisation for more than three years. They had therefore had the opportunity to witness change within their organisations. Therefore, the study has

benefited from an extensive wealth of experience and knowledge of change from the sample of the respondents interviewed, and this has increased the validity of the findings.

Most of the interviews were conducted in the office locations of the respondents, with the exception of three, who preferred not to be interviewed at their places of work and alternative venues were arranged. The interviews were conducted over the period December 2008 and July 2009. Each interview lasted, on average, for about one hour. All interviews were recorded but with the respondents' consent. However, the recording could be stopped if there was anything that the respondent did not want tape recorded. Two respondents did not want to be recorded so only verbal notes were taken. These were immediately written out, with the contents fresh in the researcher's memory, to increase accuracy. Another two respondents, between interviews asked the researcher to temporarily switch off the recorder, when they had disclosures to make but which they didn't want on record. All the respondents agreed that they could be contacted for further information if need arose. Indeed, in several incidences, that opportunity was used. As well as tape recording, field notes were taken from each of the interview. All interviews were transcribed verbatim and reconciled with the field notes.

### **3.8.3 Trade Journals and online discussion groups**

There are two other sources that have significantly informed this study. One has been the regular review of trade journals in relation to the voluntary sector. The most significant ones have been the Third Sector, Guardian on line and Charity Finance; which are produced weekly. However these publications also run online discussion forums of which the researcher is a regular subscriber. In addition, the researcher as a senior practicing manager in the voluntary sector has enjoyed the confidence of other chief officers and managers, within the voluntary sector, together with access to privileged information reserved for VSOs' Chief Officers across England and Wales. These sources of information have provided an extremely valuable background reading material that has helped to provide the situational context on all the three case study organisations.

Therefore, as recommended by Yin (1994) the study used multiple sources of data and different techniques of data collection. The rationale for using multiple sources of

data was to enable triangulation of evidence to increase the reliability of the data and the process of collecting it. Through a process of triangulation, a combination of methods can be used to study the same phenomenon and this is a recognised strength of the case study methodology. The basic premise of this approach has been that the perceived weaknesses of one data collection method are compensated by the strengths of the other method (Snow and Thomas, 1994). The challenge with multiple sources of data, however, is that data collected may at times become overwhelming and the study may lose focus. In that case, Yin (1994) has recommended creation of a case study database and maintaining a chain of evidence.

Therefore, the researcher created a database as recommended by Yin (1994). This enabled the researcher to maintain a systematic organisation of the data and enabled the data collected to be organised and documented just as it is with experimental studies. The database helped the researcher to categorise, sort, store and easily retrieve data for analysis. It was designed in such a way that it enables maintenance of a chain of evidence so that an external observer can easily follow the derivation of evidence from the initial research question to ultimate case study conclusions. So other researchers should be able to use the material based on the descriptions contained in the documentation to the same results.

### **3.9 Data Analysis**

The sampling and data collection, throughout the course of this study, was aimed at increasing the internal and external validity, and generalisability of the research findings, cognisant of the usual criticisms of the research methodology. However, in so doing, the researcher may have been over ambitious. It has not been easy, for instance, transcribing the 34 hours of interview recordings. Neither has it been easy extracting the necessary information from the over 1,000 pages of documents assembled. This, however, has had no implications regarding the validity of the data, just that the research process and marshalling of evidence has taken much longer than it should have otherwise taken.

The analysis was based on the conceptual framework of the study based on evaluating the impact of the competitive pressures of new public management on the

VSOs' effectiveness. The conceptual framework of this study is illustrated in figure 2.3 of chapter two, which draws out the five propositions of the study. That model provided a tool for discerning patterns which were deemed relevant to this study. Under each pattern aligned to the proposition, the study drew out themes in case organisation in relation to background to change, the cause and process of change and the impact of change.

As stated earlier, all interviews were initially completely transcribed and then in reference to the interview notes a more concise version of the interviews was prepared for ease of reference. All paragraphs in the interview statements were numbered and coded and key information was highlighted, using colour codes, for ease of reference. The essential statements from each of the respondents were then tabulated and compared with similar statements made by other interviewees and statements found in other documents, like protocols of board meetings, company internal documents and company annual reports. Triangulation was then used for analysis and confirmation of issues.

In all the three cases, the study used the process of first tabulating the different organisational events for instance tabulation of a number of decision made to implement change; secondly building an accurate rendition of the facts of the case in each case organisation; thirdly, considered the alternative explanations of the facts underlying a decision; and then made initial conclusions through the process of triangulation. The initial data was then sent back to the respective case organisation for validation and clearance. It was returned to the researcher, at times, with additional explanations and new evidence. Thereafter, final conclusions were made through a process of triangulation, based on the explanations that appeared most congruent with the facts, at that point in time, available to the researcher. In reaching conclusions, the researcher also drew from his extensive knowledge and long term experience of work in the voluntary sector. This provided a rich and invaluable understanding of the inner intricacies of a VSO under competitive pressure and what may or may not be a plausible explanation of a rendition of events. So care has been taken not to sanitise the case reports. In addition, that process has enabled the study to produce an adequate explanation for each case singly and to produce the cross-case analysis at a Meta level for all the cases, which is presented in chapter seven.

For purposes of cross case comparison, once the study had produced tentative explanations for events in each single case organisation, the researcher made the necessary modifications as new information emerged from other case organisations either reinforcing or challenging the study propositions. Therefore, through this process of triangulation, data from different sources and the reliability of information provided by the key informants from the different case organisations, has been checked and validated. It is the totality of this process that has enabled this study to build explanations based on discernible patterns. It is these discernible patterns that have been tested against the study predictions and as argued in the propositions. In some instances the data has confirmed the predictions, but there have also been instances of discrepancies. Such discrepancies are discussed further in chapter seven and in the concluding chapter.

This approach, to data analysis as recommended by Miles and Huberman (1984), was preferred by the researcher because of its versatility, as an iterative process, focused on confirming or disconfirming the theoretical approach to the study. In many ways, the study sought to ensure that all evidence collected was used and that all rival explanations are explored. So the method enabled the researcher to compare empirically based patterns with the predicted ones in an iterative way and without losing focus.

Throughout the research process, the researcher drew from the extensive knowledge acquired from the Kingston DBA advanced management seminars at the Business school, where research and contribution to management knowledge are central components of the Kingston DBA programme. Drawing from economic, behavioural, and administrative theories; focusing on the firm and its management, the seminars enabled the researcher to reflect on and stress the multi/inter-disciplinary nature of business and management research and the evolution of research from classical theories to contemporary paradigms, enabling the researcher a very versatile approach. The seminars also enabled the researcher ability to undertake an original investigation that tests ideas, with critical powers of analysis and extensive knowledge of and ability to apply appropriate research techniques to the research setting. The researcher's knowledge and experience of many years as

a senior practicing manager and scholar-reflective practitioner, within the voluntary sector, was also constantly applied to the maximum.

### **3.10 Ethical Considerations**

In a social process, the researcher had the privilege of listening to all sides of the drama and getting across to highly sensitive information about strategic choice and change, overtime, in the case organisations. The researcher recognised that that raised a number of obligations and responsibility on the part of the researcher. How some of those obligations were addressed has already been discussed in the section on data collection and data analysis. This project recognised that research is a craft activity and that it was not just about the application of formal techniques and rules. The project was also about the application of skills, knowledge and the person in varying settings. Within such settings individual judgements were made in the context of wider system of collective rules and communication. Within such context, the project applied a number of rules in a standardised fashion in accordance with Kingston University's research ethics and protocol.

Like all other research, this study was conducted with the sole purpose of bettering VSOs, improving policy and practice and not for any other self serving reason. This purpose, together with all the obligations to the respondents, including the procedures that were to be followed in the study, were explained to the respondents at the beginning of the study both in writing and verbally. That came through routinely as part of the process of gaining the respondent's informed consent and gaining access to the selected case study organisations. The project also formalised the protocol in an access contract, as a confidentiality agreement, at the front end of the study with all the case organisations.

The study ensured that no one was forced directly or indirectly into participation. All the respondents had the choice of deciding, based on informed consent, whether to participate or to withdraw at any point in time. Confidentiality, self respect and self esteem of all the respondents and the case study organisations was guaranteed. In relation to the confidentiality agreements signed, extreme care has been taken, in presenting the findings of this study. In the majority of cases, the findings being presented have been cleared with the case study organisation. However, care has

also been taken not to sanitise the case reports as discussed earlier in this chapter. The project sought to maintain an open and reciprocal relationship between the researcher and the host case organisation. For instance, the researcher maintained close contact with the case organisation on emerging issues to cross check information for validity but also as a sign of respect to the host organisation. Therefore, the release of interpretations at the end of the research process and the final case reports have not been a surprise for the respondents and their organisations.

It was also agreed that all publications will be pre-reviewed by the host case study organisation to avoid factual errors, but also to ensure that the project does not publish information of commercial value to their competitors. Therefore, care has been taken to avoid tendencies of over identifying with particular interpretations and interests. It was however agreed that, the project will be careful; to ensure that enough background information is published to aid understanding and dissemination of findings. The project sought to ensure that the researcher listens and reflects the comments of the respondents which may disagree with his own interpretation of events, based on his long term experience as a senior practicing manager. However, at the same time, the researcher sought to retain editorial control over publications to ensure that the case reports are not sanitised.

Individual respondents were assured of their individual rights. For instance, the project sought to use a recorder to tape the interviews so that they are transcribed. However, the individual respondents had the discretion not to be tape recorded and turning the recorder on, was always with their consent. All respondents were, also, fully debriefed after the study. Finally, all duplicate research materials are being stored under lock and key to enhance confidentiality, data security and guard against disposal.

### **3.11 Mitigation of the Researcher Interference**

The researcher worked on this project as part of the Kingston DBA requirement and as an experienced manager wanting to stretch his research abilities while still working towards something that has a direct practical application bridging theory and practice. However, Strand (2000) points out that: "the researcher's values,



experiences, and personal points of view are as much a part of the research process as those of the people studied, and they should be discussed and acknowledged" (p. 91).

This study focused on change of which the researcher, as a senior practicing manager in the voluntary sector; previously chief executive at BrAVA and a long term trustee at the Refugee Council, has been an actor. The researcher's perceptions of change and intense exposure to the study, therefore, may have subconsciously imported subjectivity into the research process. Peshkin (1988) defines subjectivity as "the quality of the investigator that affects the results of observational investigation" (p. 17). Peshkin (1988) points out that an individual's subjectivity is not something that can be removed, and it is therefore something researchers just need to be aware of throughout the research process.

Through a process of researcher reflexivity, the researcher maintained a high sense of awareness of this subjectivity as recommended by (Creswell and Miller, 2000). Throughout the process of this study, in order to limit subjectivity, the researcher incorporated researcher reflexivity by constantly questioning his assumptions about what he thought was happening or had happened. The researcher also sought to maintain a heightened sense of awareness of the biases that he may have subconsciously imported into the study and maintained this awareness when adding contextual data to field notes, observation transcriptions, interview transcriptions, when writing journal entries and throughout the process of data analysis. It has been important for the researcher to examine his own subjectivity, throughout the research process, to ensure that he is aware of how these subjectivities could influence his interpretations and portrayal of events. This has enabled the researcher to make every possible attempt to avoid them and to enhance objectivity and validity of this study. Whilst, at the same time, as discussed throughout in this chapter, the researcher's in-depth knowledge and experience of working in the voluntary sector has proved an asset throughout the process of this study, enhancing the study credibility.

### 3.12 Conclusion

The first part of this chapter, detailed the rationale for choosing the research strategy, justified by the theory of the method that guided the study. Alternative positivistic methods were not considered appropriate for this study and their strength and weaknesses have been presented, weighted against the strength and weaknesses of the case study research strategy. The latter parts of the chapter have dealt with the case selection strategy, data collection, analysis, and procedures around ethical considerations and increasing validity.

According to Creswell (1998), when using a multiple case study design, the usual formula is to "first provide a detailed description of each case and themes within the case, called a *within-case analysis*, followed by a thematic analysis across the cases, called a *cross-case analysis*, as well as *assertions or an interpretation of the meaning of the case* (p. 63)". Therefore, the next four chapters will present the empirical findings of this study. Chapters four, five and six, provide a synopsis of the within-case analysis of each of the contrasting cases. Each chapter begins with a brief background of the case and then presents the within-case analysis organised around the five propositions of the analytical framework of the study. In chapter seven, the study presents the findings from the cross-case analyses that address the sub-questions of the study and identify the "naturalistic generalisations" (Creswell, 1998, p. 154) that emerge from the study.

## **Chapter 4: BrAVA as a Case Study Organisation**

This chapter provides the *within-case* description and the *within-case* analysis of BrAVA as a case study. It is intended to provide the reader with an understanding of the particulars of the case, within the larger context as recommended by Creswell (2002). In sections; 4.1, 4.2 and 4.3, a brief historical description of BrAVA is given. In the latter sections, using the analytical framework developed in chapter two, the events that have shaped the history of this case organisation are analysed around the five propositions of the study.

### **4.1 Introduction**

BrAVA is a local voluntary organisation, in Brent, working to enhance the quality of life by promoting and supporting voluntary action. In 2009, the organisation had an operating budget of just over £500,000, of which, 60% was from statutory contracts. The organisation employed 16 staff and engaged 43 volunteers in its activities. It helped over 200 organisations each year but had also moved on into volunteering and training work with employment outcomes. It is governed by a Board of Trustees comprising of 15 members, of which 10 are elected at its AGM and another five recruited through external adverts and directly co-opted on to the board. Applicants are interviewed by a Nominations Panel and are appointed based on their skills, knowledge and experience. The board is supported by three sub committees and by the Senior Management team, led by the Chief executive, on the day to day operational management of the organisation.

### **4.2 The Founding of BrAVA**

BrAVA was founded in 1999 as a Council for Voluntary Services (CVS<sup>2</sup>). It was founded as a reincarnation of a previous CVS that drew almost all its funding from the public sector. That CVS was closed in 1996 because it had mobilised the VSOs against cuts in funding by the local authority. Council reacted angrily by withdrawing its funding. All the services that were previously provided by the CVS were taken in-house and fragmented across a number of Council services.

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<sup>2</sup> CVSs are local umbrella organisations, in UK, that largely develop and strengthen voluntary action in their local areas. They work a local authority level in London and mainly at county level outside London.

Thereafter, the lack of a CVS in Brent adversely affected the VSOs, partly because of the demographic profile of the area and partly because of the needs of the VSOs in the area, responding to the needs of their communities. Brent is largely a deprived area, with 59% of the population from the ethnic minority communities that often fall through the net of public sector provision. This is largely a deprived population whose voices may not often be heard including older, isolated people, disadvantaged children, travellers groups and the refugee communities. As a result, according to the BrAVA database, the borough has a large vibrant voluntary sector comprised of over 900 VSOs set up in response to meeting the unmet needs of their communities. These are often small, characterised both by paid and unpaid people, coming together as trustees, staff and volunteers, giving their time freely, within a shared culture that embraces difference and encourages collective decision making. They tend to be personal, simple, low cost, generalist, multi skilled and with a flat hierarchy. Many of these organisations play a key role in helping people deal with things like fallout of the recession, unemployment, debts, homelessness, mental health and wellbeing.

Therefore, the lack of a coordinating body, mobilising and acting as the voice of such VSOs, adversely affected their effectiveness and organisational survival. Firstly, it meant that groups were missing out on funding as there was no sector led information provision, training and organisational development. Secondly, there was no determined voice, on behalf of the voluntary sector, to represent and influence policies and practices of the public sector through campaigning, lobbying and advocacy. Thirdly, there was no coordination to enable effective partnership working across the public and voluntary sector. This required enabling the sector leaders, access to good quality information and up to date data so that they can in turn argue the case for those whose voices may not be heard.

To respond to these needs a voluntary sector conference was convened in 1999 to discuss re-establishing a CVS in Brent. An overwhelming majority, 75% of the delegates, agreed that there was need for an umbrella organisation to address the above cited needs. However, according to BrAVA's archives, 25% of the delegates

feared that an umbrella organisation may negatively affect their organisation's access to funding. BrAVA was thereafter founded clearly based on meeting the needs cited above, an advocacy value based mission. At the conference, a steering group was set up as BrAVA's governing body.

Initially, the organisation's structure was highly informal, based on the ethos of volunteering. It was whoever was interested that could become a member of the governing body. There was no requirement to meet certain criteria and to have certain qualifications, in order for instance, to be a treasurer. The members of the steering group, who later came to be known as trustees after the organisation was registered with the Charity Commission, would meet very frequently and very informally. However, at times the meetings would be attended by only three or four people out of the ten. It is these trustees as volunteers, that in the main, carried out the work of the organization, initially and for over one year, housed in premises of another VSO.

### **4.3 Initial Funding Allowed Flexibility**

In 2000, the organisation successfully applied for funding from Brent Council, for its consultancy support. It was agreed because, according to the organisation's archives, as government policies were emphasising partnership working across sectors, Brent Council felt obliged to support BrAVA, as a CVS, to provide public sector interface with the VSOs in Brent. Funders have often preferred supporting initiatives that directly benefit disadvantaged beneficiaries not second tier organisations. However, the consultant hired helped fundraise for the organisation and successfully attracted funding from a diverse range of sources. With this funding the organisation was able to recruit staff in 2001, move into its own premises and to diversify the range of services that it provided to its members.

The organisation initially focused on providing information, advice and capacity building of the local, mainly small organisations, to increase their efficiency and effectiveness. As an umbrella organisation, BrAVA provided a co-ordinated voice for the voluntary sector, created positive links with council and facilitated understanding of the work of the local VSOs. BrAVA also facilitated partnership work, with the

public sector, that enabled VSOs' representatives inform the commissioning of public services. This portion of work was, from 2002 to 2006, funded by GOL, to the tune of over £300,000 a year.

According to the organisation's reviews and user feedback, all up to 2006 the organisation carried out work based on its own experience, vision and not external pressures. BrAVA became fully established as a pressure group, and it was always there to lobby for the voluntary sector, across the borough, for social change in policies and practices. On behalf of the voluntary sector, it provided that dissenting voice and always led on influencing local government policies and practices and campaigned for inclusion of new services, based on community identified needs. It carried out work aligned to its stated organisational purpose. It negotiated robustly with funders and other partners without fear of rocking the funding boat. It challenged others and engaged in public debate like a truly independent CVS.

BrAVA steadily grew its income, increased the number of staff, moved to larger premises and increased its visibility and legitimacy as a local leader of the voluntary sector in Brent. As at 2006, BrAVA epitomised an infrastructure support type of organisation, operating as an integral part of its community, not delivering public services, but relating constructively to the local state from a position of true independence. It enabled groups of volunteers or trustees to speak up and campaign, helped build social capital, empowered the local communities to act decisively, and acted as the focal point for voluntary action across the borough. The main events in BrAVA's organisational life are summarised in Table 4 hereunder showing the Time Line.

**Table 4 Time Line of Events in BrAVA's Organisational Life**

| <b>Year</b> | <b>Event</b>  | <b>Significance</b>  |
|-------------|---|--|
| 1996        | <ul style="list-style-type: none"> <li>▪ Previous CVS closed</li> </ul>                           | <ul style="list-style-type: none"> <li>▪ No infrastructure support for the local voluntary sector.</li> <li>▪ Adversely affected the voluntary organisations.</li> </ul>           |
| 1999        | <ul style="list-style-type: none"> <li>▪ Voluntary Sector Conference convened</li> </ul>          | <ul style="list-style-type: none"> <li>▪ Founding of BrAVA</li> </ul>  |
| 2000        | <ul style="list-style-type: none"> <li>▪ Funding agreed for BrAVA to hire a consultant</li> </ul> | <ul style="list-style-type: none"> <li>▪ This helped leverage in other funding.</li> <li>▪ Recruit staff</li> <li>▪ Diversify its activities but focused on its mission</li> </ul> |

|      |  |   |
|------|--|---|
| 2002 | <ul style="list-style-type: none"> <li>▪ Significant funding from GOL</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Increased BrAVA effectiveness around facilitating strategic partnerships.</li> </ul>   |
| 2006 | <ul style="list-style-type: none"> <li>▪ Changes in public sector funding priorities and increased competition as a result of NPM</li> </ul> | <ul style="list-style-type: none"> <li>▪ BrAVA lost 71% of its funding from GOL</li> <li>▪ Faced increased pressure to demonstrate efficiency and continuous improvement and bigger organisations perceived as more efficient providers.</li> <li>▪ BrAVA forced into an adaptive strategy</li> </ul> |
| 2007 | <ul style="list-style-type: none"> <li>▪ BrAVA successfully won a number of public sector contracts</li> <li>▪ Governance Review</li> </ul>  | <ul style="list-style-type: none"> <li>▪ Impacted on organisation's mission, independence, governance, workforce management and organisational values.</li> <li>▪ Increased professionalism but undermined BrAVA's democratic accountability.</li> </ul>  |
| 2008 | <ul style="list-style-type: none"> <li>▪ Hired Peninsula Business Services</li> </ul>  | <ul style="list-style-type: none"> <li>▪ Reviewed HR policies and procedures leading to redundancy and new working practices.</li> </ul>  |

#### **4.4 Pressure for Change**

According to a number of respondents, from 2006 the organisation increasingly shifted from campaigning, advocacy and facilitating strategic partnership to public service delivery, with greater emphasis on performance management; focused on increased efficiency and effectiveness. The growth in service delivery, other than its core mission, also meant a growth in the numbers of staff in the organisation, professionalisation, bureaucracy and reduced informality. It became more business focused and more competitive even competing against other voluntary organisations that it had previously collaborated with and whose capacity it had been set up to build. As a result, BrAVA has since faced inherent challenges around organisational survival and legitimacy.

The drivers of these changes were that as by 2006, according to BrAVA's audited accounts financial year ending 31<sup>st</sup> March 2006, BrAVA had an operating budget of about £510,000 of which 83% of its funding was from the public sector. Although because of the nature of its services, BrAVA has never had funding from individual donations, BrAVA used to get money from grant making trusts and from corporate social responsibility budgets. However, because of the recession, both the grant making trusts and corporations had less money to give. So BrAVA, like many other infrastructure support organisations, had its funding largely from the statutory sector. This made the organisation highly susceptible to cuts in public sector budgets or changes in government priorities.

For instance, its training and organisational development work, advocacy and partnership work were largely funded by GOL, at the time, to strengthen partnership work between the voluntary and public sector (Blackmoore, 2004). However, as the public sector embraced the principles of new public management BrAVA's services became a bit redundant within the new outcome driven funding mix. They were good as mission related activities of a locally based VO, contributing to community cohesion. However, they had no ready market in a new public management funding mix geared towards measurable project related outcomes. They were not activities that could easily be priced, marketed and managed within the new public management thinking. Commissioning interest was in public services delivered at a lower unit cost and not necessarily the organisations that delivered the services. A long term serving trustee at BrAVA (Trustee Three), said that: "...the problem though is that although in the past we used to come up with projects and then look for money that seems to have changed. The pressure is partly the twisting of what your real work is to try to fit a set of criteria to get the contract."

But also, there was pressure that organisations commissioned should demonstrate greater efficiency, good performance management and a high degree of continuous improvement through quality marks. Often these came as criteria in the process of inviting and evaluating the bids tendered. Small and medium sized organisations, like BrAVA, were often considered by funders as inefficient, increasing transaction costs and as highly risky. As a result, bigger organisations tended to be preferred by the commissioners.

Firstly, according to the commissioners, it didn't matter who delivers the services. What mattered was the quality of the services delivered. Secondly, commissioners had a perception that bigger organisations had the track record, the systems to deliver the complex contracts and the ability to manage the complexity of delivery of public services. In addition, commissioning one larger provider helped reduce the transaction costs of managing multiple contracts. As service delivery got more driven by a search for an ever increased value for money, so grew the trend in commissioning fewer larger contractors to reduce the transaction costs with multiple providers. Reinforcing this view, one of BrAVA commissioners (Commissioner One) said that: "Generally under the new funding arrangement bigger organisations are



more favoured than the small organisations or the newer organisations because they have all these systems, because you have confidence in them. It isn't of course just the systems and procedures in place but they have the track record. The amounts of moneys that are involved are very large and you don't want to risk. ... And it is not just with the council- it is with anybody."

As a result, many CVSs and a number of local and medium sized organisations around the country, faced competition for their work from national organisations competing for contracts on their geographical patches and over 27% lost some of their contracts. In one such instance, BrAVA competed and lost a local contract to Hester, a national Housing Association. A long term serving trustee at BrAVA (Trustee One), commented that: "...when the local voluntary sector does engage in the procurement process, it can feel like a talent contest where superficial gloss will win over genuine ability." Therefore, from 2006, BrAVA as a medium sized infrastructure support organisation started facing real challenges of organisational survival.

Most significantly, in 2006 funding previously received from GOL, a central government department, was cut by 71%. The remaining 29% was passed over to the local authority to allocate, according to GOL, to a provider "fit for purpose". The local authority had to manage this money as part of its funding mix from central government, driven by national government targets. This funding, according to BrAVA's financial report; year ended 31<sup>st</sup> March 2006, had previously accounted for over 62% of BrAVA's budget. So BrAVA had to compete with other potential providers both from the private, voluntary and public sector, at a time when bigger organisations were being preferred by the commissioners. BrAVA successfully won the contract for a year. In the eyes of the voluntary sector, this significantly changed its relationship with council and the voluntary sector, to that of a quasi public sector agency, delivering public services. Although BrAVA, nominally, remained a partner VSO with the public sector, Brent Council became a major funder, monitoring its performance to enforce contract compliance and its service delivery systems.

Therefore, the actual reduction in its funding and changes in public funding policies and priorities meant that BrAVA like many other VSOs was bound to face stiff financial circumstances beyond what it might have experienced in the past. As a result, BrAVA needed a different business model to ensure both organisational survival and to ensure that its core business related activities are sustained. BrAVA was as a result, driven to prioritise reimbursable service delivery, including contract income from the public sector based on a new public management business model. Managers at BrAVA recognized the dangers of the contracts very early on. A manager at BrAVA (Manager Two), justifying BrAVA's stance on contracts commented that: "Some say that it's down to us to 'police our own behaviour.' Nobody is forcing a gun to our heads and making us bid for bad contracts. Strictly speaking that's true, but the decision to say 'no' is not an easy one. If we do say no there is the real prospect that organisations will suffer as a result. And we really do care about that – that's why we're here. This means there is real pressure for us to adapt to the demands of the tendering system."

In addition, managers at BrAVA argued that statutory income and fees from charging certain services would help the organisation make savings for non funded activities like campaigning, advocacy and strategic partnerships. Secondly, that any other savings would help subsidise the contracted work, which would help add value for the end users, which other providers from the private sector, wouldn't add. Furthermore, the statutory funding was argued would also help free up any voluntary income to help the organisation build its support infrastructure like IT, HR and management, not normally funded by contracts. Therefore, over time, BrAVA moved away from its original mission campaigning, advocacy and facilitating strategic partnerships and got trapped into the realm of public service delivery.

#### **4.5 Impact on the Organisation's Goals and Mission**

***Proposition 1: The less multi-functional a VSO is, the more likely is it that the introduction of contracts and market based competition would cause organisational goal ambiguity and mission drifts.***

As at 2009, BrAVA had significantly diversified its portfolio of activities, changed its networking image, started charging for some of its services and was striving to build new alliances. All this had impacted on its mission. To justify its adaptation strategy, BrAVA developed a strategic plan based on the analysis of the external environment. The spirit of the strategic plan was largely to align BrAVA goals and mission with the funding opportunities in the environment and to ensure organisational survival. Managers argued that the strategic plan was developed in consultation with a wide range of the organisation's stakeholders. However, a number of community respondents complained that their involvement was stifled. A long term serving trustee at BrAVA (Trustee Five) and also manager from one of BrAVA's member organisation mentioned that: "Diversity of opinion and priority of choice that reflects local needs was stifled because of hierarchy and fear of the implications of dissent." It is, however, this strategic plan that was used to drive through the organisation a number of changes.

In the strategic plan developed, the organisation's aims and objectives were broadly defined to allow the organisation diversify its activities. Core traditional services like advocacy, campaigning and facilitating strategic partnership were reduced and a number of new reimbursable services were prioritised and BrAVA managers were empowered to interpret the plan and develop services aligned to the emerging funding opportunities. This reduced the centrality of the Board of Trustees, as the community representatives, in agreeing on the new services.

BrAVA had now to carefully select the battles that it could fight and to form new alliances with elected councillors and officials in public sector. Many of these people continued to be BrAVA's previous allies. However, they were now competing with BrAVA for the reduced funding opportunities and had more opportunities of influencing the local funding priorities. Therefore, there was nervousness and pessimism about advocacy not to rock the funding boat. A manager at BrAVA (Manager One) said that: "Can we shout too loud? We would be nervous of advocating against funders. The local authority does not want to hear local people. That is why they pulled the plug on our predecessor organisation. They would not listen to us anyway".

Similarly, networking and building social capital became less conversational with the local communities. More energy was channelled into attending meetings with the public and private sector agencies with a view of influencing funding opportunities. Chasing funding for purposes of organisational survival became the dominant organisational priority. This drew sector complaint about BrAVA's reduced visibility within the community as evidenced by a manager from a BrAVA member organisation (Staff Two) who said that: "I feel that the boundaries between our CVS and Council are being blurred, which I think some groups are concerned about. And to be honest with you, a CVS is nothing if it is not what its members want it to be. If you don't get your members, forget it; and I am being very serious here- if you are not in support of your members, by the sector- there is no point in your existence."

A real challenge for BrAVA was engaging with the new structures and building new relationships with the new structures at a time when there was less money available for partnership working. A BrAVA Trustee (Trustee Five) commented that: "Partnership working is not cost free. It requires people to represent the sector. They usually need paying if they are to be effective representatives. They need some system to listen to people from the sector and report back to them. These are not costly things but they are not completely free." So the level of BrAVA's facilitation of strategic partnership was reduced in favour of easily reimbursable services. Facilitating strategic partnership, previously core to BrAVA's mission, became an add-on activity and not central to the organisation's mission. Work funded by the local and central government agencies to reduce unemployment of the socially excluded individuals was prioritised. This included volunteering for people with mental health, people with disabilities and socially excluded young people, funded as a government priority to reduce unemployment. However, BrAVA had been founded not to work with individuals, at the street level, but to build capacities of the VSOs.

Charging for certain services, to increase the earned income was introduced and training, including training previously provided free of charge, was considered a viable proposition. But this was also extended from organisational capacity building, core to its mission, to training individuals so that they can more effectively compete in the employment market. One of the trustees at BrAVA (Trustee Two) quoted the CEO as having said at an away day that: "We must test every service we are

providing with the question can we charge for this? Can at least some people pay for this service?"

However, according to respondents from BrAVA member organisations, charging excluded the vulnerable communities that BrAVA sought to serve as their organisations could not afford to pay. It also drew stakeholder's scepticisms and disagreement, as these were services that previously had been provided free, enabled by grant funding. In addition, some of the accredited training that BrAVA offered was training previously provided by organisations that BrAVA was developing. So BrAVA was now in direct competition with its member VSOs.

To project the desired image of professionalism, effectiveness and efficiency so that it can more effectively compete, BrAVA hired a Media and Public Relations (PR) consultant and developed formal protocols around contact with the media. Emphasis with the Media and PR work was communication of the organisation's distinctiveness as a competitor and focus on its core competencies as a local organisation, with local accountability and good contacts with the local communities. In one of its bid documents (Page 1, BrAVA bid document to host the LINKs, July 2008) the organisation argued: "Does it matter, so long as it's still a voluntary sector provider? We think it does. The question is not just one of local knowledge, but of local ownership and accountability. A Brent organisation will have a board of trustees who live in Brent and will put the interests of the Brent people first. Some of them may well be local service users. A charity based in Manchester or Brighton, while they may be able to show attractive economies of scale, will not necessarily have the same priorities".

In addition, the aim of the Media and PR campaign was to attract private sector funding. BrAVA also explored new ways of relating with the local private sector to match their corporate engagement strategies with the community needs. A manager at BrAVA (Manager Two) highlighted that: "As money tightens you will have to find new ways of attracting private sector support in cash, in kind and in the form of human resources. So we have had to build strategic partnership, for instance, with the local business leaders' forum".

*Therefore, in relation to proposition one, the transformational effect was that BrAVA was forced to think laterally and more entrepreneurially about how they might develop and sustain the organisation's activities in the future and became a provider of more services. This helped the organisation to work against complacency and cosiness and to become more businesslike and efficient, with clear policies and procedures. In 2009, the organisation was striving to achieve quality management systems. Diversification and the contracts won, also enabled BrAVA to provide services that it was not previously able to provide. Although, some of the respondents at BrAVA were cautiously optimistic about the future, all these were externally driven sometimes with internal repressions.*

*However, the organisation's goals and mission were aligned to those of the public sector as its main funder causing goal ambiguity and mission drifts. Instead of prioritising services to the wider society, it prioritised easily reimbursable services, like volunteering. BrAVA also got trapped into the problems of delivery of public services and its associated new public management concepts of increased accountability, professionalism and bureaucracy.*

#### **4.6 Impact on the Organisation's Independence**

***Proposition 2: 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.***

As a result of the competitive pressures, partly, BrAVA had to demonstrate continuous improvement, increased effectiveness and efficiency, in search of organisational legitimacy, rewarded with resources. In addition, BrAVA had to demonstrate contract compliance as the local authority prescribed operational and managerial solutions. So BrAVA was forced to change in many aspects. For instance, as part of the contract compliance, BrAVA adapted its decision making, service provision, organisational structures and organisational cultures to accommodate the wishes and norms of the public sector agencies. BrAVA was also forced to mimic management structures, language, bureaucratic processes, job titles and culture to mirror the public and private sector that it was working with. A

manager at BrAVA (Manager Two) complained that: "We are a voluntary sector organisation but often we are treated by the local authority as if we are a statutory service. The real role and purpose of the organisation is not recognised".

This adaptation came in with the challenges of applying performance management systems from the private sector to the circumstances of a sector with its own distinctive culture, diffused power structures, different values, multiple stakeholders and multiple goals. Managers (Manager One) noted that: "BrAVA is willing to tackle issues of performance improvements and accountability, to project an image of an effective organisation, but the system is not context sensitive and does not have clarity of purpose not only to the sector context but also to the individual context of BrAVA. It is heavy handed and too prescriptive."

Over time, this impacted on BrAVA's ability of determining its own strategy and devising its own solutions to emerging needs. It stifled innovation, impacted on the organisation's mission and caused anxiety about external controls eroding the distinctive features of a VSO, once a focal point for voluntary action in the borough. So BrAVA got stuck between imposed system and organisational objectives. A manager (Manager One) at BrAVA acknowledging the challenge said that: "I mean that is generally handling contracts, monitoring systems, and don't forget the moment you take on contracts, you are just taking on the whole bureaucracy, the complaints and everything."

BrAVA was also forced to form partnerships, alliances or consortia to be able to apply for larger contracts. Often these 'marriages' were rushed and often the commissioners failed to understand how they would work. In other instances, although its remit was the London Borough of Brent, respondents reported how the organisation had tried to apply for funding to run services outside its geographical boundaries, in order to diversify its funding streams. In instances where it successfully diversified into other services like mental health and supported volunteering, it squeezed out the smaller and more specialist groups. "So these moves have forced us to become territorial and behave aggressively and competitively. This is not the way we want to work with other voluntary agencies and the statutory sector", said a trustee (Trustee One) at BrAVA.

There was also a problem of project funding rather than core funding, which often led to unplanned adaptation to cuts and where BrAVA as a bidder had to align its priorities to the available funding. A manager at BrAVA (Manager Two) complained that: "...the problem that we have is that in the past we used to come up with a project and that project would be funded, but now it is the other way round. A funder or contractor comes up with projects – what they want done and then you have to choose whether it is something you can do or you can't. In most cases organisations would be keen to demonstrate that they can deliver, whatever the project might be."

In many instances, even where funding had been agreed, there were uncertainties over timing, amounts and duration, and funding agreements and whether contracts would be renewed. A number of contracts were underfunded and BrAVA had to subsidise them. Payment was always in arrears based on a satisfactory three months monitoring report. Respondents reported that often the monitoring requirements were disproportionate to the amount of funding involved in the contract and BrAVA always had to demonstrate that it had made an impact. In summary, the picture of the organisation that emerged is summarised by comments of a manager from a BrAVA service user organisation and a staff from BrAVA. The manager (Manager Two) summarised the situation saying that: "This is not a case of an organisation determining and managing its own affairs. Rather it suggests a culture where the public sector directs the decisions of an individual organisation about how it should deliver on its mission". Staff (Staff Two) added that: "... the board needs to be just; they shouldn't be going into contracts just for the sake of money. They need to understand that yes contracts are things we need to deliver services. But they also need to look at the impact of the contracts, as we discussed, on the organisation's mission, values, aims, objectives, and yes, the independence of the organisation."

*Therefore, in relation to proposition two, the pressure of relying on the resources extracted from the environment pulled BrAVA away from community development, empowering people at the grass roots, building social capital and acting as a focal point for community development. This undermined the integrity of its founding values, impacted on the organisation's ability to stick to its core activities, increased its risk of mission drift and undermined its ability as an independent actor. Trapped in*



*the delivery of largely public services, contracted by the public sector, in a way BrAVA became a quasi-public sector bureaucracy with increased threat for the actual organisational survival as its legitimacy increasingly came into question. The transformation seems to have been severe because BrAVA largely relied on the local authority for its funding.*

#### **4.7 Implications for the Organisation's Governance**

***Proposition 3:** 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 would be lessened.*

Across the voluntary sector, there was an ever increasing pressure to professionalise the governing boards and to ensure that organisations had greater accountability for the proper use of the organisational resources. At BrAVA, initially the board consisted of mainly volunteers without reference to their qualifications and board experience, driven by the spirit of volunteering, community involvement and user participation. According to one of the organisation's internal document (BrAVA bid document to host the LINKs, July 2008, P.1), it stated that: "Brava is an organisation founded by the voluntary sector, governed by the voluntary sector, for the voluntary sector in Brent".

Initially, BrAVA did not have a defined membership as such. This changed in 2001, as the organisation started holding AGMs to elect its Board of Trustees from amongst its member organisations, strictly based in Brent. But Brent wasn't wide enough as catchment area for the trustee recruitment. So elections at AGM were not competitive and were often just a formality. As by 2007, most trustees had served for more than seven years. This resulted in the challenges, as noted by the BrAVA managers, that there was a lack of board renewal, board control, board inexperience and lack of board's awareness of the organisation's strategic position in the context of a rapidly changing environment. As a result, there was an inability to question decisions of the management team either because relationships had become too cosy or because the expertise and the confidence was lacking amongst the trustees. This did not demonstrate that actually the board, as posited by the property rights

and agency theorists, was effectively monitoring performance on behalf of its internal and external stakeholders.

Internally, the increased competitive pressures to win contracts to deliver public services and the tough decisions that had to be made around organisational efficiency, required more enterprising and dynamic leadership from the trustees. It also required ability to develop and lead on strategies, navigate through complex human resource management issues and ability to discern and mitigate organisational risks. But also, in awarding a contract, funders would assess evidence, demonstrating that the board and staff of an organisation are professional and highly qualified, with skills and experience in all areas of new public management assumptions, like financial management, performance management and private sector experience. A combination of both the internal and external drivers led to a governance review in 2007 as part of the organisational strategic review.

As a result of the review, BrAVA membership was opened to other organisations, not necessarily based in Brent, but with interest in the work of the voluntary sector in Brent. So the 10 elected trustees didn't have to be resident in the borough, as previously required. A Nomination Panel was set up to assess their eligibility, before election, based on their skills and experience using a structured application form. The other five trustees could be co-opted, through the nomination panel, as long as they had the required skills and experience and these didn't need to have any affiliation to a Brent organisation. A maximum period of six years, serving on the board without a one year break, was also introduced and applied retrospectively.

As at 2009, the organisation was being governed by a board of 15 trustees. The Board had the overall responsibility for the direction, management and control of the organisation. Some of these activities had been delegated to some Board sub-committees and the overall operational management of BrAVA had been delegated to the Senior Management Team. The Trustees and the Management Team had the overall responsibility for rigorously monitoring the organisation's efficiency and effectiveness, and ensuring that the subcommittees were following best practice in the sector. The Trustees drove through the organisation a number of significant

changes that impacted on the organisation's mission and independence as discussed earlier, and staffing and organisational values as discussed hereafter. All the trustees were being kept up to date with sector developments through regular bulletins and training where appropriate.

By July 2009, most of the old members had been dropped, except four. However, most of the old members dropped, were in the main, the community representatives. They were replaced by professionals recruited through the nomination panel. This lessened the democratic accountability, wider participation, civic engagement and the downward accountability to members and the link between the professionals and the voluntary sector in Brent, became minimal. The professionals brought in, as trustees, demonstrated a high degree of interest in the organisation's survival. In the main, they prioritised upward accountability, cultivating and growing donor relationships, underlined by the pressures for increased efficiency and productivity, to keep funding flowing in and to ensure organisational survival.

This helped the organisation to get better clarity on what is it that it was achieving and to achieve greater efficiency with minimal resources. However, the increased upward accountability reduced the downward accountability. As a result, in some quarters of the voluntary sector, the Board of Trustees was increasingly perceived as an instrument of the local authority, with a purpose of aligning BrAVA's goals and mission to those of the local authority. A concerned trustee (Trustee One) commented that: "On the accountability, I think there are two issues here. One is accountability to your users, accountability to your funders ...; and the other is accountability to the regulatory agencies. It is about balancing those accountabilities and ensuring that things are met. But I think on the negative side contracts have eroded that at BrAVA. Because, here, whatever Council wants that is what it gets."

The professional trustees wielded power across the organisation and were the decision makers. However, almost unanimously, staff mentioned that there was no link between the trustees and the rest of the organisation. According to the respondents, as part of their induction, trustees had briefings about the organisation's activities. Secondly, they were often encouraged to visit and shadow project staff to ensure that their decisions are based on appreciating experience of staff and their service users. However, not many trustees had taken up the offer and

the staff had no perception of what the trustees were doing. The trustees relied on information from managers to make decisions, but this was through a chain of staff to manager and vice versa. So, there was apprehension amongst the staff that often information got lost in the pipeline to or from.

BrAVA tried to encourage user involvement, as much as possible, through user panels and surveys to comment on things like community needs, policies, procedures and changes to service delivery. However, staff in other organisations did not see feedback to BrAVA, as a justifiable priority for their organisations, partly because there was scepticism as to whether the feedback that was being given was being taken seriously by BrAVA trustees. Other users like people with mental health and the young people in volunteering were difficult to involve because of their chaotic lives. But also, often contracts emphasised the need to involve professionals to enforce quality. This excluded the unskilled volunteers, like the people who would access BrAVA services, and therefore reduced the wider participation.

Many of the community representatives that remained Board members often complained of increased responsibility and technical complexities at board and sub committees meetings. They also complained that increased professionalism was driving the organisation away from its mission and that they were not being listened to. A manager at BrAVA (Manager One) commented that: "It goes back to good governance, you are talking about being more professional and that is all well and good don't get me wrong. But certainly you need people who think from the heart. These are the ones who will make sure that you have achieved your mission- there has to be a balance."

Secondly, they complained that increased responsibilities were drawing them away from their own organisations and there was no compensation, whatsoever, for their lost time. Although the board was experiencing increased responsibilities, the governance costs were not being covered by the contracts as they would not be directly related to the outcome based projects that were being funded. At the time of this study, two of the community trustees were considering resigning.

*Therefore, in relation to proposition three, BrAVA started off with a high degree of democratic accountability and wider participation. However, as a result of the*

*competitive pressures, BrAVA was forced to align its governance to the private sector governance model to increase its competitiveness. Firstly, this skewed its accountability towards its funders, as the owners of the organisation, to keep the resources flowing in. Secondly, the organisation was forced to pay greater attention to performance management to increase efficiency and productivity which increased the technical complexities and the governance responsibilities and made governance an unpleasurable activity for the community representatives on the board. Finally, the organisation was forced to professionalise which displaced the community representatives on the board and alienated other stakeholders. So, although the new governance model had some benefits for the organisation it reduced the democratic accountability and the wider participation within the organisation.*

#### **4.8 Implications for the Organisation's Workforce Management**

***Proposition 4:** The faster the pace of professionalisation of services in a VSO the greater would be the likelihood that its key competencies of voluntarism, informality and diversity are undermined.*

##### **Pressure for Change**

Competitive pressures at BrAVA heightened early in 2008 when BrAVA faced critical decisions about its long term survival. For over two years, BrAVA was spending above what it was earning. Its management, governance, HR and IT systems were required by the contracts but they were not part of its project costs funding. So for most of the contracts, BrAVA had to subsidise them from its own reserves partly because for most of the contracts an organisation had to show that it had lower unit costs than its competitors. Managers at BrAVA (Manager Two) commented that: "...we have been trying to improve our quality of services but we know we will never be as cheap as private companies. What council calls 'best value' often means the cheapest, irrespective of quality. ...you can't cut your budget down to the bottom and expect to deliver quality services." But also, BrAVA was subsidising many of the contracts as a way of adding value for its service users. According to its financial report year ended 31<sup>st</sup> March 2008, at 66% of its expenditure, its main expenditure were high staff costs on salaries.

Therefore, in 2008, BrAVA faced a situation where its reserves had dropped from £276,015 in 2006 to £167,000 in 2008 and were rapidly disappearing. So BrAVA faced critical decisions that unless it adapted further, it faced closure. BrAVA had to think about how to become leaner and far more efficient in its application of the limited resources available. BrAVA's salaries compared to those of many other CVS and other VSOs have never been that competitive. But it offered excellent employment conditions that offered employees satisfaction and motivation.

Staff and volunteer recruitment was based on their social compatibility with the organisation's values and the social environment. So volunteers, applicants from BrAVA member or user organisations would be given preference in recruitment; driven by the philosophy of member participation and user empowerment. It offered flexibility within jobs and flexible working hours for people with difficulties and a wide range of support that staff could get from the organisation e.g. telephone counselling and free eye care. Staff could be allowed to volunteer, even during working hours, for organisations of their choice. Staff training was encouraged and the organisation would allow staff time off to go for training as part of staff development and as a way of guaranteeing staff employability.

As reported by many of the respondents, there were many channels of internal communication and the organisation encouraged learning from feedback from staff and volunteers. In a 2006 internal staff survey, many staff reported that BrAVA was a great place to work and the majority reported that they were proud to work with the organisation. An overwhelming majority, 80%, emphatically reported that they were engaged not only with their work, but also with BrAVA as their employer. Although its staff retention levels were low, this was mainly due to short term contracts and favourably compared with the sector average.

However, as a result of increased competitive pressures, in 2008 BrAVA retained services of Peninsula Business Services ([www.peninsula-uk.com/business-services](http://www.peninsula-uk.com/business-services), April, 2011), for advice on its employment and health and safety policies and procedures. All existing staff contracts were reviewed, and new policies and procedures were introduced as part of the contract compliance. To cut down on costs and to achieve greater team efficiency, a number of posts were made redundant and the remaining posts were restructured to accommodate

responsibilities of the deleted posts. However, because of a recruitment freeze, even some of the undeleted posts remained unfilled, increasing the caseload of those remaining.

Secondly, as a result of the review, flexible working hours were reduced to an hour either before or after the core BrAVA working hours (nine to five). Sick leave was reduced to the minimum statutory provision. Staff volunteering, within the working hours, was restricted to prior authorisation by the line manager, based on relevance and benefits to BrAVA. Staff training was also restricted to absolutely essential training in relation to the service specifications. In addition, a wide range of both organisational policies and procedures, were introduced to meet service expectations. For instance, workforce recruitment was much more formalised, aimed at recruiting those with skills and knowledge closely matching the contract specifications, as opposed to recruitment based on mission-related acumen.

As part of the new contract specifications, staff were thereafter subjected to increased monitoring and more structured supervision meetings, collection of management information and performance management reviews driven by outcomes. Informality was replaced by more structured working hours to meet the contract specifications and to guarantee the quality of service. Staff contracts were, thereafter, aligned to the duration of the funding contract. So staff previously on long term contracts would be issued with redundancy letters, in relation to the duration of the funding contract.

Short term employment contracts at par with the contracted project duration, meant that workers at BrAVA continuously experienced a heightened level of anxiety and insecurity. This applied to staff whose jobs could potentially be transferred to other providers under the TUPE or who were being made redundant. A staff at BrAVA (Staff Two) fearing that BrAVA contract might not be renewed and that he may be transferred to a private sector provider, under TUPE, commented that: "Charitable ethos was about compassion driven by one's value system. If that special quality was lost, and charity provision became more commercial, I might as well go and sell double-glazing".

This anxiety also applied to managers who were struggling to cope with a new system at the same time as facing the possibility of large swathes of their funding and perhaps their own jobs disappearing. Short term contracts meant that staff were often insecure and continuously looking for alternative employment. Where loss of staff occurred, it led to problems of continuity and retention impacting on program effectiveness. A long term serving trustee at BrAVA (Trustee Three), said that: "Uncertainties over timing, amounts, duration and funding agreements means that management can't plan. Because of the nature of a contract you never know until the last minute whether they are going to be renewed. Staff don't know where they are from one year to the next. They can't plan".

Many respondents reported an increase in paperwork needed to engage with the contract monitoring processes. They reported having to fill in multiple Pre-Qualification Questionnaires for bids and project monitoring and evaluation questionnaires each slightly different from the other. They complained that the process was time-consuming and onerous but tending towards short term measurable outcomes, ignoring the unintended outcomes. Previous to this, BrAVA had had a challenge of measuring outcomes of its work, because the changes, at times take long to occur. But now all its work had to be measured against a set of public sector indicators, increasing the pressure on staff. Respondents complained that all this diverted huge amounts of staff time from directly helping their targeted beneficiaries, towards servicing contracts.

*Therefore, in relation to proposition four, as the organisation became much more focused on ensuring organisational survival, it paid greater attention towards increased professionalisation and a drive to cut down costs to achieve increased efficiency and productivity, based on the private sector workforce management model. That caused uncertainties, severely impacted on the workforce morale, their commitment to the organisation and increased staff turnover. It eroded the traditional ethos of voluntarism, informality and diversity across the organisation. Individual hopes, feelings, preferences, and valuing relationships across the organisation, previously core to the organisation's working, suffered and impacted on the service quality.*



## 4.9 Impact on Organisational Values

*Proposition 5: The greater the threats to a VSO survival, as a result of the competitive pressures, the more drastic would be the impact of contract and market based competition on its core traditional values and ethos.*

BrAVA was founded by the voluntary sector for the voluntary sector as a strongly driven by the voluntary sector ethos of community participation, stewardship, equality of opportunities, informality, collectivism and user empowerment. For many years, before it got trapped into the pitfalls of delivery of public services, under new public management, these values shaped its organisational strategies. It delivered services core to its mission, shaped by its own experience, vision and needs of its members and not the external pressures. It acted as the determined independent voice of the voluntary sector and negotiated with funders and other partners without fear of loss of funding. It challenged others and engaged in public debate like a truly independent CVS. It helped build social capital, empowered the local communities to act decisively, acted as the focal point of voluntary action across the borough and constructively related with the local state from a position of true independence.

It involved its members and many of its internal stakeholders in a wide range of decision making processes in an inclusive way based on the principles of community participation, broad based governance and user empowerment. Its staff and volunteer recruitment was based on an intrinsic contract aimed at creating a safe and healthy working environment that motivates staff to maximise their contribution to the organisation. In its initial days, its workforce management practices were driven by a belief that every one joining the organisation brought value, talent, skill and resources to the organisation no matter what their roles or job in the organisation might have been.

However, as a result the competitive pressures and the imperatives of organisational survival, all that changed. The drive to bring in resources became the most dominant theme in the organisation's survival strategy, forcing the organisation to realign its value system to the corporate value model of competitiveness and greater efficiency. As a result, the organisation paid greater attention to competitive positioning,

increased efficiency and better performance management to demonstrate effectiveness and increase its legitimacy, in order to attract resources.

One respondent commenting on how the organisation's value system had changed cited the emotional investment they had to make in bidding for a service which BrAVA was already delivering and the danger that the new system had forced BrAVA to focus more on presentation to win contracts, rather than on service-users' needs as its *raison d'être*. Others emotionally commented on the changes in practice and attitude which had become necessary for staff and trustees alike at BrAVA. "The system is, if anything, designed to inhibit negotiation. It is mostly concerned with ensuring control, minimising risk, driving to scale and standardising processes across the board. It isn't interested in any benefits that sit outside of the narrow specifications of the tender. How can this be the best for people? How can it be the best for society?" BrAVA (Manager One).

Many respondents commented on how productive working relationships between BrAVA and other VSOs in Brent and between BrAVA the public sector staff and commissioners had been disrupted. Previously, BrAVA had facilitated these informal and productive relationships and they had allowed service providers to contact their opposite numbers and undertake rapid negotiations or adjustments to their service. Many respondents felt that BrAVA was competing against the VSOs that it had been set up to support. This was making it difficult for organisations to share information and to collaboratively work together as providers.

*Therefore, in relation to proposition five, as BrAVA adopted more and more tools and values of the private sector markets, the transformational effect was that it became more competitive and this severely impacted on its values, as the traditional values and ethos of the voluntary sector. It eroded the internal participatory mechanisms for internal debate and inclusiveness in the decision making processes, disrupting the previously productive working relationships both within and outside the organisation. As a result the organisation lost the flexibility and responsiveness to the voluntary sector needs on its geographical patch.*

#### **4.10 Conclusion**

Therefore, BrAVA was founded based on an advocacy 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 VSO. Its original workforce employment practices 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. Its value model was originally 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. That fundamentally transformed its internal workings and organisational 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.

Therefore, a combination of the above factors had the positive benefits that 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*.

## **Chapter Five: The Refugee Council as a case study**

In this chapter, the *within-case* description and the *within-case* analysis of the Refugee Council as a case study is provided to enable the reader an understanding of the particulars of the case within the larger context. The Chapter begins with a brief historical description of the Refugee Council, provided in sections; 4.1, 4.2 and 4.3. In the latter sections, using the analytical framework developed in chapter two, the events that have shaped the history of this organisation are analysed around the five propositions of the study.

### **5.1 Introduction**

Refugee Council is the UK's largest organization, providing support and advice to refugees and asylum seekers as well other organisations working with the beneficiary group. It produces reports and educational materials relating to refugee issues, works in partnership with many other regional refugee organisations, and lobbies politicians and the media on refugee issues. In 2009, the organisation had an operating budget of £18 million, largely funded by the Home Office, had 350 staff and 410 volunteers. According to the organisation's financial report for 2009/2010, in 2009, the volunteers donated 60,000 hours of free labour, worthy £340,000, based on a minimum wage of £5.73 per hour.

Governed by a Board of Trustees, elected at its Annual General Meetings, the Refugee Council is a membership organisation. Of the 15 Trustees, five are elected from the generic voluntary sector and five from the Refugee Community Organisations (RCOs), whilst the other five are co-opted because of their professional expertise. The Board of Trustees is supported by a Resources subcommittee that meets between the Board meetings. Day today management of the organisation is the responsibility of the staff Senior Management Team led by the Council's Chief Executive, appointed by the trustees.

### **5.2 The Founding of the Refugee Council and its initial work**

According to the organisation's archival documents, the Refugee Council originates from two independent organisations, British Council for Aid to Refugees (BCAR) and the Standing Conference on Refugees (SCOR). Both organisations were founded

after the 1951 Geneva Convention<sup>3</sup>, as a result of the experiences of the Jewish Refugees who came into the UK during and after the Second World War. BCAR was founded to provide advice and welfare services for refugees in the UK that fell through the net of state provision. So its mission was based on addressing demand caused by failures in the system of public administration in relation to refugees and asylum seekers. But SCOR was founded to act as the focal point for the sharing of information and for the development and influencing of policies relating to refugees and displaced people in the UK and elsewhere. At the heart of its work was challenging UK and European policies that potentially had a detrimental effect on refugees and asylum seekers based on the Geneva Convention. Its founding was therefore clearly based on an advocacy based mission.

In 1981 both BCAR and SCOR merged to form the Refugee Council. The Refugee Council therefore became an embodiment of addressing the failures of the public sector provision through advice and direct welfare provision on one hand, and campaigning and advocacy on the other hand. Its initial activities, therefore, focused on providing welfare advice and support to refugees and asylum seekers, as a result of public sector systems complexity, weak co-ordination of services and reduced option for face to face contact between the service users and the bureaucrats. The Refugee Council work involved delivering high quality advice and support services to individuals and families at all stages of the asylum process. Such services ranged from practical help services such as accommodation, food and clothing, through to advice sessions and advocacy work.

To increase access to services, the Refugee Council has also traditionally led on supporting hundreds of local and regional VSOs, including RCOs dedicatedly working with refugees and asylum seekers, across the country. Through information, advice, training, conferences, development materials and facilitating of networking, the Refugee Council has always helped these organisations more effectively develop and deliver refugee services. It has also acted as the focal point for the voluntary action on refugee issues, championing and shaping policies and practices on refugee issues.

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<sup>3</sup> It is the Geneva Convention that defines the eligibility criteria, status and rights of refugees, and the responsibilities of nations that grant refugees asylum.

According to the organisation's archival documents, the need for its service provisions has always been as a result of state failure to make the necessary provision as expected under the Geneva Convention. For instance, as a result of complex asylum application forms, unclear letters, unnecessary bureaucratic procedures within the asylum system and failure of the public sector agencies to meet their agreed service standards. Other system failures include barriers due to the design of the asylum application system, complexity of the asylum application forms or the welfare benefit forms, and refugees or asylum seekers having to contact multiple agencies for support, as a result of change in their circumstances.

Therefore, the Refugee Council acted as that trusted source of practical help and advocacy that the refugees and asylum seekers could turn to, when the big battalions of the state and the private sector let them down, failed in their duties or actively and incorrectly stood in their way. The trust and confidence that refugees and asylum seekers placed in the organisation stemmed from the organisation's perceived independence from the state and its perceived ability to challenge the state on its failures. Refugees and asylum seekers sought its advice and support because they felt that advisors at the Refugee Council were more understanding, would provide help against the system and have more in-depth knowledge of the asylum refugee support system. "Initially I went to the refugee council as a client because I was homeless and that was just as a client. ... I knew that they were that trusted source of support for refugees and asylum seekers, giving advice and support against failures of the system", a long term serving manager (Manager One) and previously a service user at the organisation, mentioned.

Over the years, however, its emphasis was on campaigning and advocacy mainly focused on raising awareness of issues faced by refugees and asylum seekers, for instance, issues that could potentially lead to their destitution. It also sought to influence key policy issues by responding to consultations and submitting evidence gained from its direct work experience with asylum seekers. The organisation also promoted positive images of refugees and asylum seekers, challenged hostility and ignorance, and engaged its supporters to influence public opinion, the media, national, EU and international policy on refugee issues.

### **5.3 Flexible funding allowed a high degree of independence**

Until 1999, the Refugee Council was a small London based organisation, with about 25 staff and limited funding. Largely, its funding was from the Home Office as an unrestricted grant for its core activities, including the direct delivery of services, capacity building of RCOs, campaigning and advocacy. It received the core grant because the Home Office recognised the organisation as the sector leader in UK, on refugee issues, with a national presence. The grant flexibly allowed the organisation to effectively engage its stakeholders and to flexibly respond to a wide range of issues impacting on refugees and asylum seekers.

The relationship between the Home Office and many other funders was largely based on trust, longevity of the relationship and a shared acceptance of the sector and society's norms. There was no forced compliance as such or the rigorous performance management systems. A long term serving trustee (Trustee Four) at the Refugee Council, recalled that: "You were given a sum of money to do the work and you were trusted to get on with the work and actually the staff did get on with the work". Manager (Manager Five) added that: "It is like if I give you an amount of money and say to you, that in Wembley you are responsible for any asylum seeker that come to you and here is £1.5 million for that work. Help them to complete their asylum and income support application forms and give them a travel card to go for interviews. Home office had very broad objectives and then your activities are linked to those objectives. You would simply report back on each of those objectives stating what you have done". Internally this meant a high degree of informality. A volunteer (Volunteer Two) recalled that: "There were no standards, there were no boundaries and there were no specialist skills. There was enormous good will and comradely. I can't remember whether we called the service users clients. We were always one big family". Externally, the Refugee Council was effectively engaged with its members, evidenced, according to some of the long term serving trustees, by the stiff competition, within the community, for one to be elected as a trustee, on its board.

The services that the organisation provided depended on immigration and asylum legislations based on the provisions of the 1951 Geneva Convention. There had been some controversial debates in parliament about immigration. This had for instance, way back in 1968, led to the "Rivers of Blood" speech by Enoch Powell,

criticising the Commonwealth immigration as well as the then proposed anti-discrimination legislation in UK. Nevertheless, all the way to the early 1990s, immigration had not been a topical issue in UK. However, in the mid 1990s, as a result of technological advances and increased globalisation, immigration became a major issue in the public domain. This led to the first major immigration legislation in 1996, followed three years later, by more radical reforms contained in the Immigration and Asylum Act 1999. The chronological events in the Refugee Council's organisational life are summarised in table five hereunder.

**Table 5: Time Line of Events in the Refugee Council's Life.**

| <b>Year</b> | <b>Event</b>  | <b>Significance</b>  |
|-------------|---|--|
| 1951        | Geneva Convention   | <ul style="list-style-type: none"> <li>▪ Founding of SCOR and BCAR.</li> </ul>   |
| 1981        | BCAR & SCOR merge   | <ul style="list-style-type: none"> <li>▪ Birth of the British Refugee Council later renamed Refugee Council.</li> </ul>  |
| 1996        | Asylum and Immigration Act 1996                                     | <ul style="list-style-type: none"> <li>▪ Withdrew welfare benefits from some asylum seekers.</li> <li>▪ Increased numbers accessing Refugee Council's services</li> <li>▪ Increased role for Refugee Council as a leader and shaper of the refugee sector.</li> </ul>  |
| 1999        | Immigration and Asylum Act 1999                                     | <ul style="list-style-type: none"> <li>▪ Excluded Asylum seekers from mainstream provision and withdrew their welfare benefits replacing it with vouchers.</li> <li>▪ Introduced NASS as a government agency to manage social care support for asylum seekers.</li> <li>▪ Introduced the dispersal of asylum seekers from London to the regions largely contracted by NASS to the Refugee Council.</li> <li>▪ Refugee Council responsible for determining asylum seekers eligibility for state support through NASS and managing Emergency Accommodation.</li> <li>▪ Refugee Council rapidly expanded as an organisation.</li> <li>▪ Changed Refugee Council Relationship with the Home Office to arguably an instrument of government impacting on its relationship with other VSOs.</li> <li>▪ Reduced the numbers of new asylum seekers entering UK.</li> </ul> |
| 2004        | Refugee Council withdrew from provision of emergency accommodation. | <ul style="list-style-type: none"> <li>▪ Organisation's income dropped from £61.4 million in 2004 to 18.8 millions in 2006.</li> <li>▪ Introduced pressures of redundancies and need to replace lost income.</li> </ul>  |



|      |   |  |
|------|---|--|
| 2006 | Core funding replaced by contract based Strategic Grant | <p>Organisation's Core grant income from the Home Office was halved. Introduced greater attention to:</p> <ul style="list-style-type: none"> <li>▪ Continuous improvement</li> <li>▪ Pressure for greater efficiency</li> <li>▪ Outcomes based performance management.</li> <li>▪ Organisation pressured into strategic reviews and greater market orientation.</li> <li>▪ Significant implications on the organisation's goal and mission, independence, governance, workforce management and values</li> </ul> |
|------|---|--|

## **5.4 Pressure for change**

The immigration and asylum reforms were driven partly by the increasing numbers of asylum seekers coming into UK. The numbers had risen from 3,000, a month, in 1992, to 7,300, in 1999, a growth of over 67%. The majority, (60%), were settling in London because that is where they had access to a wide range of infrastructure support services and clusters of settled refugee communities from their home countries. Because they were often unexpectedly arriving with high support needs, it often put a lot of pressures on the public sector provisions, at a time when the state was trying to reduce the public sector budget and reform the provision of public services. A Refugee Council long term serving manager (Manager Five) commented that: "Lambeth was on the radio, a couple of years ago, saying they were short of more than a thousand school places for their own indigenous students because of asylum seekers." But also, statistically, UK had the largest numbers of asylum seekers amongst the European countries. This fuelled claims that many of the asylum seekers were scroungers, attracted to UK because of failures of government public policy on asylum seekers. Respondents reported that this was feared to be leading to the rise of the extreme right, both in UK and across Europe.

Therefore, the subsequent immigration acts in 1996 and 1999, were designed to restore public confidence in the management of migration and the asylum process in UK. The agencies and systems that were subsequently set up as a result of the new immigration legislations were designed to deliver on that agenda. As a result, the Asylum and Immigration Act 1996 withdrew welfare benefits from a large number of asylum seekers, applying in country and not at the port of entry. According to many respondents interviewed, this left many asylum seekers destitute and significantly increased the numbers accessing Refugee Council's services. It also required that

the sector responds at a much higher level than it had previously responded. However, no additional funding was provided from the Home Office. So the organisation with infinite demand on its services but with finite resources, responded by mobilising other voluntary sector agencies to provide a coordinate response. Manager One at the Refugee Council commented that: "The withdrawal of benefits meant that many asylum seekers were left destitute and they were all suddenly knocking at our door. The pressure on the organisation was immense but we had no additional funding for that work. ... They were no longer entitled to benefits. So we had to mobilise other VSOs and also to set up a day centre to give food".

The most profound change, however, came with the Immigration and Asylum Act of 1999. Firstly, it excluded asylum seekers from the mainstream provision and introduced the National Asylum Support Services (NASS), as an agency under the Home Office, to manage the asylum social care support. Secondly, it withdrew welfare benefits from all asylum seekers replacing the benefits with vouchers. Thirdly, the Act introduced the dispersal system where all incoming asylum seekers were to be dispersed from London to the regions. By all intent and purpose, in relation to asylum seekers NASS replaced the management of the mainstream provision previously managed by the local authorities and the benefits agencies. In turn NASS contracted the Refugee Council and a number of other leading voluntary sector providers to deliver these services on its behalf.

The Refugee Council was particularly contracted to assess and provide "Reception Assistants" and emergency accommodation on behalf of the Home Office. In effect, the role of the local authorities and the benefit agencies assessing applicants' eligibility for state support was transferred to the Refugee Council working under the supervision of NASS. However, although the Refugee Council was assessing and determining whether an asylum seeker was eligible for state support through NASS, in the contract the service was packaged as advice. In this case, independent advice was repositioned as a public service delivered by the Refugee Council and other voluntary sector providers, but to state specifications and based on the drivers of the asylum and Immigration Act 1999. Fundamentally, this changed the relationship between the Refugee Council and the Home Office. The relationship previously based on trust was replaced by a complex, bureaucratic and an expensive system

based on an arm's length contractual relationship. Commenting on the new relationship a long term serving manager (Manager One) at the Refugee Council said: "In the past there was a lot of co-funding, unrestricted, were the organisation was in a position to decide how to use it. However, now everything requires accountability. The Home Office wants to know whether there has been compliance with the contractual arrangements and how each and every single coin of their money has been spent".

## **5.5 Impact on the Organisation's Goals and Mission**

*Proposition 1: The less multi-functional a VSO is, the more likely is it that the introduction of contracts and market based competition would cause organisational goal ambiguity and mission drifts.*

Managers and the Trustees at the Refugee Council reported agonising over the decision whether to deliver the service according to the contract specifications. Fundamentally, the issue was, in whose interest would they be delivering the service? Were they to serve the interests of the state that was contracting them? Or, were they to serve the interests of the asylum seekers whose needs they existed to serve? Clearly the contract was in the interest of the state. However, managers argued that if they didn't take the contract, it would have gone say to a private sector provider more interested in efficiency to maximise profits and that would have meant worse experience for the asylum seekers. Secondly, managers argued that they hoped they would add value, by bringing their experience of work with asylum seekers to bear. A long term services manager (Manager Six) said: "There was resistance but there was no alternative. To be honest we had two difficult choices; either to accept and run the contract or, to let it be run by another organisation, probably from the private sector, and then deal with the consequences". Trustee Two added that: "This is because at that time it was clear that if we didn't do it, it was going to be horrible, it would have gone to a private sector provider; Group Four, and that would have been even worse. We therefore thought that at least we should run it, and run it sympathetically to the asylum seekers".

Under the contract, NASS required the Refugee Council to provide a member of staff as a "Reception Assistant" to interview, and on behalf of NASS, determine whether an asylum seeker was eligible for state support, if deemed not eligible (on behalf of NASS) deny them the support and advise them individual on other sources of support. The "Reception Assistants" were required to help the asylum seeker complete an application form to apply for NASS support, accommodation and vouchers, which had replaced the mainstream state provision. Thereafter, the staff would arrange emergency accommodation and support for the asylum seeker, if eligible, and send the form to NASS. The Refugee Council would be paid in arrears, based on the number of cases processed by the "Reception Assistants".

The second part of the contract was managing emergency accommodation in London where asylum seekers would be settled on arrival. Accommodation had to be provided under a unit cost ceiling of £150 per week for singles and £220/240 for families, full board inclusive of meals and accommodation. However, under mainstream service provision, on top of free local authority accommodation, a single asylum seeker was entitled to £267.82 and £420.21, a week, for a family in cash welfare benefits. Therefore, accommodation secured under NASS, was often substandard, targeted to fit within the given unit cost ceiling. However, it was being paid for and managed by the Refugee Council. So the Refugee Council was perceived as the agency with responsibility for that substandard accommodation.

The Refugee Council was also required to help NASS to enforce a requirement that only applicants determined as eligible by NASS occupy the accommodation. In particular, Refugee Council staff were required to enforce NASS monitoring of the Asylum seekers' movements to ensure that they are available to travel to their dispersal areas at short notice and without prior warning.

*Therefore, in relation to proposition one, because the Refugee Council was less multifunctional and largely depended on the state for its funding, the introduction of a contract from the Home Office, led to a significant goal and mission drift. Instead of serving interests of the refugees and asylum seekers as its founding mission it instead served the interests of the state from whom it depended for its resources for survival. It took on the role of mainstream public service providers like the local*

*authorities and benefits agencies, assessing applicants' eligibility for state support under the supervision of NASS.*

## **5.6 Impact on Independence.**

***Proposition 2:** The more a voluntary sector organisation is dependent on one donor the greater would be the likelihood that its legitimacy weakens as an independent actor.*

As a result of the contract, within six months, the organisation's income had more than tripled; from £15 million in 1999 to more than £70 millions in 2001. The contract meant that the organisation had access to some secure income with a bit of clarity of what it will get under what conditions. Recruitment was almost every day as the organisation expanded from 25 staff in 1987 to 315 staff in 2008. It expanded its operations and opened offices across London and the country. This had the positive benefits that it could extend provisions to where previously it had no service provisions. It also meant a significant restructuring bringing in policies and procedures which meant increased streamlining of operations, although that reduced the informality. Reflecting on his experiences, over the period of expansion, Manager One said: "It started after the 1999 Bill became legislation and within a period of six months the Refugee Council became more than three times its size. There was huge expansion, recruitment was taking place every day and it was in response to this sub-contracting of asylum support to deliver assistance as asylum support assistants".

However, firstly, the Refugee Council had to grow the organisational support infrastructure like IT, HR systems and the performance management systems from its own voluntary income; they were not part of the contract. The contract, however, was only for a period of two years, after which it would be re-tendered through a competitive process: "...to test the market to ascertain whether, at least the reception assistant role, could be delivered more efficiently by other organisation. But also so that retendering would "...allow agencies to test their efficiencies against each other" (Douglas, 2000 p19). There was no certainty that the Refugee Council would get it again.

Secondly, there was no additional funding provided beyond the agreed contractual value. However, the Refugee Council was often spending more than had been contractually agreed. As a result there was less money to invest in campaigning and other activities not directly funded. As the organisation got sucked more into service delivery, it led to a critical debate within the organisation as to whether the Refugee Council was a campaigning organisation that also provides services, or, was it primarily a direct service provider that also campaigned to influence public opinion? According to respondents, the debate was stifled by managers. The argument was that, direct service provision gives credibility to the campaigning role because then the organisation can campaign based on the practical experiences of working with asylum seekers. Therefore, direct service provision was prioritised over campaigning.

Thirdly, according to the contract specifications, the Refugee Council was expected to act in the best interest of the state. It was expected to deny support from asylum seekers that had money on them and those that had relatives or friends in UK. However, the Refugee Council staff passively resisted and did not enforce that NASS support eligibility criterion. Staff were morally against the dispersal because there were reports of racial violence, from the dispersal areas, as a result of large numbers of asylum seekers being dispersed to areas with no previous experience of hosting immigrants. But also, asylum seekers had no access to advice services in their dispersal areas. As a result, only less than 50% of the asylum seekers were dispersed. As explained by one of the managers (Manager One): "And some of the members of our staff were morally against doing what the home office was doing. I couldn't say it was sort of demonstration but – there were meetings taking place where some staff were refusing to work. And then from Home Office's point of view, the organisation was sub contracted- we had to do what we had been asked to do. So, that really created a big problem for the organization both internally and externally, including relationship with the Home Office".

In a report reviewing the contract, NASS stated that: "There was particular concern that the agencies in general and the Refugee Council, in particular, did not take tough enough line in ensuring that people were dispersed. There was, therefore, a perception amongst NASS staff, that "...staff in the Refugee Council were hindering

the dispersal process (Douglas, 2000 p18)". "One of the reasons for this is that the voluntary sector has found it uncomfortable to enforce the NASS decisions which they consider to be insensitive" (Douglas, 2000 p17).

As a result, the emergency accommodation got clogged up from 750 planned beds to 5,000. The numbers of asylum seekers were increasing but they were not being dispersed as planned. Meanwhile, there were complaints about the poor state and lack of provisions in the accommodation. Apart from the vouchers, no toiletries or medical care were being provided in the accommodation. Acknowledging the complaints Manager One said: "And some of the conditions of some of this accommodation were very bad, which meant that we had a lot of complaints from individuals, from families and community members, from ourselves, from human rights organisations and campaigning organisations like the Medical Foundation". So, the Refugee Council had been turned into a Housing Association, managing poor emergency accommodation. But this was not its *raison d'être* or its area of competency as a VSO. "We were not skilled in managing accommodation. We were a refugee service and not a Housing Association. But we took on emergency accommodation contract. So that was a tough time", mentioned Trustee (Trustee Two) at the Refugee Council.

Therefore, according to the respondents, the Refugee Council was perceived as a semi government agency, funded as a quasi Home Office department, delivering a public sector service and therefore too close to the Home Office to remain independent and campaign against the government policies on asylum seekers. This reduced trust and co-operation that the organisation had with the sector as agencies jockeyed for positions and contracts within the refugee sector. This impacted on the incentive for member organisations and previously collaborative partners, sharing ideas and jointly developing best practice with the organisation. As a result, the Refugee Council suffered a problem of credibility as an independent actor. It had grown in size and stature, but according to respondents, its profile was lower amongst its stakeholders.

Obviously, NASS' expectations were, at times, contrary to what the staff at the Refugee Council expected. NASS had expected staff at the Refugee Council to work in the best interest of the Home Office as a contracted agent. However, staff had

expected to work in the best interest of the asylum seekers from a position of an independent organisation. In several areas, this led to incidences of non-compliance with the contract specifications due to organisational values, undermined the trust between NASS and the Refugee Council and destabilised the longer term service provision for the vulnerable people. But also the rigorous target driven monitoring, increased the transaction costs and the bureaucratic burden on both the Refugee Council and NASS. The relationship that emerged is summarised by a statement in an evaluation report by NASS, which reviewed the contract after two years. It stated (Douglas, 2000, p. 17) that: "There is some evidence of a "them and us" culture with conflicts on both sides and neither being fully respectful of the needs of the other. The voluntary agencies are anxious to emphasise their independence from NASS and do not wish to be regarded simply as agents of the Home Office".

As a result of all these pressures, in 2004, the Refugee Council decided to voluntarily withdraw from the provision of emergency accommodation, but retained the role of "Reception Assistant". Commenting on the withdrawal, a trustee (Trustee Two) acknowledged that: "People were upset with us because our independence was being undermined. We got out of this a few years later very much bruised but the accusations people were making that you are losing your independence were not true". Thereafter, the organisation's income tumbled by 45%, from £61.4 millions in 2004 to £33.2 million in 2005 and to £18.8 million in 2006 where it had stabilised as at 2009.

The drop in income, against the competitive pressures, brought in new challenges. Firstly, as a result of bad publicity in relation to the myth and misconceptions about refugees and asylum seekers, its voluntary income from individual donors was dropping and it was difficult for the organisation fundraising for its work. Because of the perception that the organisation was a semi government agency, delivering a public sector service, grant making trusts and other funders did not want to replace what was perceived as public sector funding for a public sector provision. These pressures were exacerbated in 2006, when the organisation's core funding from the Home Office was halved and replaced by a "Strategic Grant".

Unlike the unrestricted core grant, based on new public assumptions, the Strategic Grant was only payable subject to the numbers of clients using the organisation's



services, outside the NASS support. But as a result of the immigration reforms the numbers of asylum seekers using the organisation's services were dropping. It also required improved performance management systems, procedures, policies and financial management systems to enforce efficiency. So the pressure to cut down on costs heightened anxieties about the future of the organisation and pressure to chase money for organisational survival. A long term serving manager (Manager Two) commented that: "What is coming from the Home Office seems to be; we must save money, we must save on budgets and that is quite a tough situation where people are more and more desperate. We are looking for an increase next year but then you have to decrease by a certain amount. If the numbers of users doesn't sustain the service, people's jobs will go"

In response, the organisation was forced to review its cost base further in search of cost efficiency. It reviewed its provisions to see whether, according to the Home Office contract specifications, services were "fit for purpose" and were being efficiently and effectively delivered. The organisation was also forced to benchmark other providers, its competitors. This helped to bring in good practices like the strategic management processes, appraisals and using performance indicators linked to strategy, however, it brought in bureaucracy. "The positive thing is that it has made VSOs look at their services to see if they are efficient, focusing on outcomes and whether they are productive. So it has forced organisations to become more business like", said Trustee Four at the Refugee Council, commenting on the impact of the Strategic Grant.

As a means of organisational survival, the organisation also pursued a diversification strategy. It piloted a wide range of new services some of which failed because of lack of clients. It increased its networking with the private sector to attract donations from the corporate sector, and widened its remit to work on migration which, per se, is not strictly work with refugees or asylum seekers according to the Geneva Convention. A trustee mentioned that the organisation discussed a wide range of options before agreeing to work on migration: "Should we be a Refugee and Immigration Council? Should we merge with people dealing with migration and make a big organisation that deals with refugee and migration issues? We concluded that

the best option was actually just to widen our remit to include migration" (Trustee Four).

*Therefore, in relation to proposition two the study finds that because the Refugee Council primarily depended on funding from the Home Office, its goals became aligned to the goals and mission of the Home Office as its main funder. It started taking directives on service delivery from the Home Office, which undermined its ability to campaign on refugee and asylum seekers' issues and this was passively resisted by some of the stakeholders like the staff. But also it became more competitive as a result of pressure to generate income. Its previously productive working relationships, as a focal point for voluntary action on refugee issues, were disrupted. It became to be perceived as a semi government agency, funded as a quasi Home Office department, to deliver a public sector service. As a result, its legitimacy as an independent actor, advocating on behalf of the sector, came under question.*

## **5.7 Implications for the Organisation's Governance**

*Proposition 3: 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 would be lessened.*

The new organisational pressures meant that the organisation had to review how it is governed. The immediate pressure was getting a treasurer with professional financial management background, to help the organisation improve its financial management systems. John Wenger, a financial technocrat from the private sector, was brought in. He helped to reassure the CEO and the trustees that, although the income was dropping, things were not as bad as they appeared to be. But also, the organisation needed a more effective board that would challenge the senior management, drive through the radical changes and influence the organisation's direction. However, at its AGM, it was not always such people that would be elected as trustees and as a result of tension between the Refugee Council and the sector, not many members were putting their names forward for election as trustees.

In particular, there were concerns that Home Office requirements were just being translated into organisational policies, by the board, as presented by the senior management team. In effect, the Board had become an instrument of the Home Office. There were also concerns around lack of attendance at board meetings, lack of speaking up, lack of participation and a high degree of trustees' passiveness. However, the board papers and agenda's had also become more complex for some of the community representatives. One of the trustees (Trustees Three) commented that: "It is like they are attending as observers. Lack of attendance, lack of speaking up, lack of participation, the general feeling I think, ... is that the large portion of the trustees attend some portion of the trustee meetings, I believe, much more in an observer status than really feeling that it is their organisation and they should be steering its direction of travel. I don't think the trustees give any direction of travel to the Refugee Council." A senior manager (Manager Two) added that: "We put in a lot of time in preparing the board papers. However, it doesn't look like some trustees read them".

Therefore, the organisation was forced into a governance review. As a result of the review, democratic accountability and wider participation was weakened and was replaced by an emphasis on increased upward accountability and professionalism with recruitment based on one's governance skills and experience, assessed based on a role description. The requirement that a representative of either the generic voluntary sector or RCO should be from a Refugee Council member organisation was replaced with affiliation to a member organisation. This increased professionalism, the board technical complexity and reduced community representation on the Board of Trustees.

*Therefore, in relation to proposition three, the Refugee Council had a high degree of democratic accountability and wider participation. However, as a result of the competitive pressures, it was forced to align to the private sector governance model to increase its competitiveness. As a result, upward accountability to the Home Office was prioritised to ensure organisational survival which alienated the internal stakeholders. Secondly, as a result of the increased competitive pressure the organisation was forced to pay greater attention to performance management to increase efficiency and productivity. This increased the technical complexities and*

*the governance responsibilities and made the community representatives passive to decision making at Board meetings. Finally, the organisation was forced to professionalise which reduced the democratic accountability and displaced the community representatives on the board.*

## **5.8 Implications for the Organisation's Workforce Management**

***Proposition 4: The faster the pace of professionalisation of services in a voluntary sector organisation the greater would be the likelihood that its key competencies of voluntarism, informality and diversity are undermined.***

The Refugee Council has always aimed to ensure that the staff represents its targeted beneficiary population. Its workforce recruitment has always been aimed at increasing user empowerment and participation in the planning and delivery of its services. It has always been weighted towards compatibility with organisational values and the social environment, particularly targeting refugees and asylum seekers as its previous service users, with knowledge and experience of use of its services. As such it has always attracted staff and volunteers interested in helping refugees and asylum seekers, on average attracting 410 volunteers a year, donating 60,000 hours of free labour valued in excess of £340,000 a year.

According to the respondents, the organisation has always aimed to offer challenging and meaningful work that produces a sense of wellbeing in return for loyal committed and self motivated employees. As at 2009, the majority of staff in service provision had been with the organisation for more than seven years. This was however much lesser on average in support services like fundraising, campaigning, IT, HR where there was less representation of the ethnic minority communities. A long term serving volunteer (Volunteer Two) explained that this had its pros and cons. "Firstly, because it was all based on trust, commitment to the organisation's ethos and comradely there was a higher degree of informality. There was a unity of purpose and all staff and volunteers were striving together for the same objectives. The downside, however, was that there were no proper systems to ensure delegation of responsibilities, lack of clarity on many aspects and hardly were skills being matched to task per se".

However, as a result of competitive pressures, focus shifted to increased professionalism, realignment to competing and winning contracts and increased attention to efficiency and increased productivity to minimise costs. Recruitment was much more formalised and aligned to attracting entrepreneurial and good managers with business expertise and skills and staff and volunteers with the skills and knowledge as opposed to the previously; mission related acumen. Volunteer recruitment became difficult because applicants had to go through strenuous formal recruitment processes. A long term manager, (Manager six) said that: "...for example we have volunteers who are actually advisors; they are registered and regulated by OISC, they are trained and they have got specific task descriptions, just like the job descriptions, against which they are recruited. The only difference between them and the advisors is that they are not paid".

Volunteer recruitment changed to an applicant completing an application form, akin to a job application form. An applicant then had to be interviewed on what skills and experience they would bring to the organisation, with some services requiring volunteers to have certain minimum qualifications and CRB checks. However, one of the volunteer (Volunteer Two) reported that she had waited for 18 month to get her CRB check through: "It took more than 18 months for us to get our police checks -18 months. By the time we got them we had given up on volunteering and feeling that we wanted to take them out".

Many respondents reported that as a result of these requirements, volunteers with lesser skills were excluded and a big waiting list built up of people wanting to volunteer, either to learn new skills or make a contribution towards the organisation's work. In some cases volunteers were excluded from certain service provisions and replaced by paid staff because of contractual requirements. There were therefore complaints by the volunteers that the organisation had moved away from informality and become more bureaucratic and less accommodating of diversity. A long term serving volunteer (Volunteer Two) commented that: "So eventually paid staff were employed in the kitchen, and volunteers were more or less excluded from the kitchen, because health and safety would make it important that people are trained and you couldn't train volunteers to the required Health and Safety standards."

New management systems emphasising budget discipline and strategic planning were introduced to drive down costs and to position the organisation to more effectively compete for contracts. These included rigid performance management systems driven by targets, shadowing of the frontline staff, monitoring absence, regular reviews of case files, regular supervision and appraisals and enforcing compliance with job descriptions. Volunteers were also required to work to formal structures, including opening and closing times, enforced by their line managers.

According to the respondents, the new systems reduced informality, introduced a higher degree of professionalism and subjected the staff to significant pressures. For instance performance management came with requirements for onerous reporting and some staff complained of spending 40% of their time doing the paper work other than delivering services to the targeted beneficiaries. The sentiments as a result of these changes are reflected in the statement below by one of the managers (Manager Two) at the Refugee Council: "I think that there is a clash between the need for flexibility and the bureaucratization of an organisation that takes a lot of money from the Home Office because it has to evaluate and account for things and keep records. I think Refugee Council has quite a hierarchical management structure and I think this doesn't always let it adapt fast enough to the changes that are going on in the environment that we are managing."

In order to cut down on costs, the Refugee Council benchmarked itself against other providers, to become leaner and efficient in its application of resources. One of its highest cost centres was staff costs. As a result, a number of staff were made redundant and those that remained had their case loads increased. This resulted into increased pressure on the remaining staff and undermined their commitment to the organisation. There was also increased stress and anxiety as a result of the tendering process and the short term contracts. Increasingly staff were uncertain as to whether they will continue with their jobs or with the organisation. In one instance the Refugee Council lost a contract to a private sector provider, and staff under the contract were transferred to the new provider under the Transfer of Undertaking and Protection of Employment (TUPE) legislation.

*Therefore, in relation to proposition four, this study finds that the Refugee Council started off with an intrinsic psychological contract aligned to the traditional voluntary sector workforce management model. It offered challenging and meaningful work and its workforce recruitment was weighted towards compatibility with organisational values and the social environment. However, as a result of the increased competitive pressure the organisation became much more focused around competitiveness and achieving cost efficiency. It paid greater attention towards increased professionalisation and a drive to cut down on costs to achieve increased efficiency and productivity. This led to a heightened degree of uncertainties and severely impacted on the workforce morale and the traditional ethos of voluntarism, informality and diversity. In turn this impacted on service quality and workforce commitment to the organisation.*

## **5.9 Impact on Organisational Values**

***Proposition 5:** The greater the threats to a VSO's survival, as a result of the competitive pressures, the more drastic would be the impact of contract and market based competition on its core traditional values and ethos.*

The Refugee Council was founded as a strongly value driven organisation based on the voluntary sector ethos of community participation, stewardship, equality of opportunities, informality, collectivism and user empowerment. These values shaped its delivery of organisational goals and mission, governance and workforce management. The Refugee Council had a large membership from where it drew its governing board through a competitive process and, it involved its internal stakeholders in a wide range of complex but inclusive decision making processes. There was consensus amongst many of the respondents that it was then more inclusive.

Long term serving staff, managers and volunteers cited stories of how in the initial days they enjoyed a shared feeling of comradely, tolerance and a high degree of involvement in the organisation's decision making processes. This was driven by a belief that every one joining the organisation brought in value, talent, skill and resources no matter what their roles or job in the organisation might have been. To ensure inclusiveness and that all contributed, there were a number of informal meetings that allowed free contribution of ideas unfettered by rules or hierarchy.

Staff recruitment always prioritised volunteers and people with previous experience of using Refugee Council services to bring in the voice of service users. In many ways, the workforce reflected the targeted population that the organisation was aiming to serve.

Obviously this informal approach had some negatives as cited by one of the volunteers (Volunteer Two): "Yes, the negative factors with this informal set up were; there was no delegation, long delays in solving problems and no matching of skills to tasks. You just did what you did when you are right on the day. The positive factors were the sense of a common purpose and that the clients were treated as people not as numbers and that there was a sort of family and comradely about that set up".

However, driven by a search for a competitive strategy, the organisation paid increased attention to competitive positioning, efficiency and better performance management to demonstrate organisational effectiveness. An organisation that had been so informal and inclusive became hierarchical with unambiguous organisational structures defined and enforced in relation to achieving organisational aims and objectives linked to the contract specification with the Home Office.

Staff were forced to work to rigid performance targets against defined organisational objectives, enforced by rigid standardised procedures designed to support the delivery of the contract. As a result of redundancies, staff workloads were increased with a greater focus on efficiency and increased productivity akin to a private sector organisation aiming at maximising profits. Staff and organisational departments competed against each other to safe guard their jobs. This at times involved micro management of volunteers. One of the managers (Manager Six) commented that: "The negative side is when two people are competing for the same job and they may micromanage the volunteer, in contradiction to one another, to be sure that the other one gets the job. And again there is quite often tension between the ways in which departments function".

*In relation to proposition five, the study finds that as result of the competitive pressures, the Refugee Council was forced to realign its values to the corporate value model. This eroded the internal participatory mechanisms for internal debate and inclusiveness in the decision making processes, disrupted the previously productive working relationships both within and outside the organisation. As a*



*result the organisation lost the flexibility and responsiveness to the refugees and asylum seekers' needs and its leadership position as the focal point for voluntary action on refugee issues.*

## **5.10 Conclusion**

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 the 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. Managers, focused on organisational survival, agreed to deliver on the state agenda. But as evidenced by NASS complaints, this was resisted by the Refugee Council workforce. Staff at the Refugee Council were prepared to take lower pay than their counter parts in the private sector. Volunteers were joining to provide thousands of hours of free labour. However, they were all driven by a compassionate desire to act as that trusted friend of the asylum seeker, providing practical help and advocacy, when the big guns of the state turned against them.

The founding of the 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. Therefore, 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 leading competitor in the within the refugee sector perceived as an instrument of the state.

## **Chapter Six: Shelter as Case study**

In this chapter, the *within-case* description and the *within-case* analysis of Shelter as a case study is provided as a way of enhancing the readers understanding of the particulars of the case within the larger context. Firstly, a brief historical description of Shelter is presented in sections 6.1, 6.2, 6.3 and 6.4. In the latter sections, 6.5, 6.6, 6.7, 6.8 and 6.9, using the analytical framework developed in chapter two, the events that have shaped the history of this organisation are analysed around the five propositions of the study.

### **6.1 Introduction**

Shelter is a national housing voluntary organisation engaged in the relief of hardship and distress among homeless people and those living in adverse housing conditions. In 2009, the organisation had an operating budget of just over £50 million from individual donations, trading income, grant making trusts and statutory sources mainly based on contracts. The organisation employed 1,100 staff and had 850 volunteers. It helped over 100,000 homeless people each year, and campaigned and lobbied government to improve the lives of the homeless and badly housed people.

In 2009, it was governed by a Board of Trustees comprised of 15 members, recruited through external adverts and interviewed by a Nomination Committee, based on the applicant's governance skills and experience. The board had a number of subcommittees under its structure and the Senior Management Team had the overall responsibility for the operational management of the organisation.

### **6.2 The birth of Shelter**

Launched 1<sup>st</sup> December, 1966, its finding coincided with the TV documentary *Cathy Come Home* which took the country by storm. The documentary was based on a story of one young woman's struggle to attain a home for her family. However, she failed and ended up on the streets with her three children. Directed by Ken Loach, the documentary depicted serious social and political issues in society that could no longer be ignored. Good homes that could help avoid homelessness were available, but they were being deliberately left empty because they were in slum clearance areas. Instead, thousands of homeless families were being dumped in temporary

accommodation like old army camps. The issues raised were widely discussed across the country, including in parliament, causing changes in attitudes and awareness, readiness for a social change and angry calls for action to prevent such homelessness. People wanted to do something to stop homeless. It is against that background that by coincidence, two weeks later, Shelter was launched by a Christian reformist Rev Bruce Kenrick.

### **6.3 Initial area of work rooted in advocacy based mission**

Rev Bruce Kenrick, assisted by two paid staff and a number of religious leaders across faith denominations, came together, fired by a passion of tackling social injustice in a variety of ways. Defining homelessness as literal homelessness and living in intolerable housing conditions, they came together ready to tackle poverty issues, provide housing aid and take direct action to challenge the scandals of unsuitable temporary accommodation and homes wasted by being left empty.

Initially, they campaigned for better housing, raising public awareness of the squalors of homelessness and told people how the situation could be improved through campaigning and lobbying. To do this, the organisation researched facts about homelessness and bad housing and through hard hitting adverts and reports graphically presented them to the public throughout the country to mobilise public awareness. Therefore, initially, the organisation was founded and was very much focused on lobbying, campaigning and acting as a voice for the homeless on housing matters, an advocacy value based mission.

According to archives, this initial focus led the organisation into three things. First, it led to the practical appreciation of the immediate needs of the homeless people which led to the founding of "Rescue Operations" within Shelter, to rescue and house the homeless from the streets. For this purpose, the organisation raised money and passed it over to carefully selected Housing Trusts, to find and provide housing for the homeless. Secondly, it inspired children and young people to set up a youth department within Shelter, to promote awareness of homeless issues and to fundraise for the "Rescue Operations" in children and young people's institutions like schools. Thirdly, concerned groups of people joined together and set up Shelter

Groups around the country. By early 1970, these had grown to well over 500 across UK.

The Shelter Groups, operating at a local level, spontaneously sprung up as supporter networks, responding to gaps in service provision for the homeless. They campaigned locally on housing issues, provided housing aid and initiated model projects to help individuals and develop communities. Eventually, they also opened up charity shops as a way of fundraising for Shelter. Characterised by a high degree of informality, each of the Shelter Group was independent and undertook its own activities, broadly around the homelessness agenda, with minimal communication with Shelter Headquarters. Both Shelter Groups and the Shelter Youth department raised significant amounts of money, and enabled housing associations to house more homeless people.

As the independent housing aid centres and model projects increased, it required increased central coordination to manage the increased Shelter activities. So the number of Head Office staff increased, and the organisation also sought to attract people with skills, knowledge and experience in its work. So Bruce Kenrick founded the organisation, but other people recruited later, brought in a wide range of skills, energy and experience that helped foster the growth of the organisation.

The organisation provided housing aid, researched, and based on research evidence, campaigned, lobbied and influenced policies. So, initially, the organisation was strongly focused on campaigning and advocacy and each staff job description had an element requiring staff to do campaigning. A long-term serving manager (Manager Two) at Shelter recounted that: "So wherever a service was based, it had the responsibility of providing the housing advice and a case work service. This was to ensure that, through advocacy, people's rights and situations are improved. In addition, that information was utilised in looking at the local "problems markets" and then campaigning for improvements".

According to the organisation's archives, some of the organisation's early success included the Housing Act 1974 that introduced funding for Housing Associations, The Rent Act 1974 which extended the security of tenure and, The Housing (Homeless

Persons) Act 1977 which meant that homelessness was accepted as housing inadequacy and not just as a personal experience, ending the poor laws of the previous century. Other achievements included, The Landlord and Tenant Act 1985 which requires that landlords repair and maintain properties for tenants, the Housing Act 1988 which introduced the most common forms of tenancy for private sector tenants and the Protection from Harassment Act 1997 which makes it a crime and tort to harass someone. All these are landmark Shelter victories, as a result of its long-term campaigning and lobbying work, either singularly or as part of the Joint Charities Group. Once the legislations were enacted Shelter would continue campaigning both locally and nationally to ensure that they are enforced. The main events in Shelter's organisational life are summarised in Table six, hereunder.

**Table 6 Summary of events in Shelter's organisational life.**

| <b>Year</b> | <b>Event</b>   | <b>Significance</b>   |
|-------------|--|---|
| 1966        | <ul style="list-style-type: none"> <li>▪ Cathy Come TV documentary</li> </ul>  | <ul style="list-style-type: none"> <li>▪ Led to changes in social attitudes and awareness that led to founding of Shelter.</li> </ul>   |
| 1974        | <ul style="list-style-type: none"> <li>▪ Rent Act which extended security of tenure to private furnished tenants, introduced Housing Association Grants with 100% funding via Grant and Loan.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Landmark achievement of Shelter's campaigning.</li> <li>▪ Led to significant increase in the number and size of Housing Associations and emergency of governing boards consisting largely of professionals, community activists and some limited tenant involvement</li> </ul>   |
| 1977        | <ul style="list-style-type: none"> <li>▪ Protection from Eviction Act 1977</li> </ul>  | <ul style="list-style-type: none"> <li>▪ Landmark victory as a result of Shelter's long-term campaigning and lobbying work as part of the Joint Charities Group.</li> <li>▪ Defines criminal offences which may be committed by landlords, or someone acting on their behalf, through harassment and eviction of tenants without a court order.</li> </ul>  |
| 1985        | <ul style="list-style-type: none"> <li>▪ Landlord and Tenant Act 1985 -</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Landmark victory as a result of Shelter's long-term campaigning and lobbying work as part of the Joint Charities Group.</li> <li>▪ Ensures landlords repair and maintain properties for tenants.</li> </ul>  |
| 1988        | <ul style="list-style-type: none"> <li>▪ Housing Act 1988</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Landmark victory as a result of Shelter's long-term campaigning and lobbying work as part of the Joint Charities Group.</li> <li>▪ Introduced the most common form of tenancy for private sector tenants, the assured short-hold tenancy agreement.</li> <li>▪ Authorized the creation of Housing Action Trusts to redevelop deteriorating estates.</li> </ul> |

- Increased attention to governance issues.
- 1997
  - L SC Pilot initiative with the VSOs.
  - Shelter could access the funding.
- 1997
  - Protection from Harassment Act 1997
  - Landmark victory as a result of Shelter's long-term campaigning and lobbying work as part of the Joint Charities Group.
  - Makes it a crime and tort to harass someone and if that person knows, or ought to know that their behaviour amounts to harassment.
- 1998
  - Shelter won Seven service Contracts
  - Freed up voluntary income beginning of change in the organisation.
- 2004
  - Housing Act 2004 - Came into force on 6 April 2006
  - Landmark victory as a result of Shelter's long-term campaigning and lobbying work as part of the Joint Charities Group.
  - Changed the way properties are inspected, licensed and registered and the way in which deposits are handled. Predominantly concerned with minimum housing standards.
- 2005
  - Introduced annual planning cycle
  - Beginning of more centralised planning and reduced powers of the Housing Aid Centres.
- 2006
  - Changes in Legal Service Commission Procurements.
  - Prescriptive, onerous reporting and fixed fees set too low. Meant that Shelter had to adapt.
- 2006
  - First strategic Plan
  - Redefined organization's purpose and became a management tool within Shelter defining what services should be prioritized reducing powers of the Housing Aid Centres.
- 2008
  - Wide ranging restructuring of the organisation.
  - Period of restructuring, leading to significant instability within Shelter.

## 6.4 Pressures for Change

The pressures started in 1974 as a result of the of the 1974 Housing Act. The Act introduced funding for homelessness work and this led to the formation of many other Housing Associations around the country to be funded by local and central government authorities to provide homelessness work. This led to a public perception that the housing crisis was over. But also, a number of other complex and equally deserving causes, competing against Shelter, were emerging.

According to long term serving managers at Shelter, as at 2001, the mission of the organisation had changed to "everyone should have a home", mainly focusing on improving levels of housing advice and making it possible for the homeless to access

an affordable home through housing advice. At this stage, Shelter was getting contract income from statutory funders and grant making trusts. It was giving specialist advice based on contracts. However, contracts were not being rigorously enforced. The organisation could help anybody that walked in through its doors.

However, the organisation has since grown into a big respected organisation both in size and effectiveness, become more business focused and more competitive even in relation to other organisations that it previously used to collaborate with. Most notable, it has increasingly shifted away from campaigning to delivery of contracted public services. Inevitably, this came in with increased emphasis on performance management, focused on effectiveness and increased efficiency. The growth in the delivery of public services also meant a growth in the numbers of staff as opposed to volunteers with implications of increased professionalisation and bureaucracy. But what have been the drivers of these changes within the organisation?

In 2009, Shelter had an operating budget of about £50 million, of which £17 million were from individual donations and from its own trading income. According to its financial reports, Shelter used to get money from trusts, corporate social responsibility budgets, individual donors and legacies. However, because of the recession, increasingly both individuals and corporations had less money to give and such funding had become intensely competitive. There were also issues that homelessness per se did not appeal to individual donors because homelessness was at times perceived as affecting people either as a result of bad decisions or bad behaviours. But also, although Shelter is a powerful brand, there was a lack of clarity of its work, amongst the public. Some perceived it as a soup kitchen, a hostel for the homeless and others as an advice agency. This negatively affected donation to its work. A combination of the above factors meant that Shelter was bound to face stiff financial circumstances beyond what it might have experienced in the past.

As a result, respondents reported, Shelter was driven to prioritise contract income from the public sector with a view of using the surplus to fund non funded activities like campaigning and advocacy and to free up the voluntary income to build the required support infrastructure not funded under the contracts. But also, Shelter managers argued, to add value for the end users that, for instance, other private

sector providers wouldn't add. As by 2009, statutory funding at Shelter covered two thirds of the organisation's service delivery. Subsequently, Shelter got trapped into the problems of delivery of public services and its associated new public management assumptions.

In 2009, Shelter was being contracted by a wide range of public sector commissioners including Legal Service Commission (LSC), local authorities and various departments of central and local governments to provide, in the main, advice and guidance to the local residents. This funding was often as a result of services prioritised by the funders. Almost all respondents, unanimously, admitted that although far smaller in value than funding from other public sector agencies, the LSC in many ways and to a very great extent proved more critical and directive of the organisation's activities and design. Two Shelter managers commented that: "The main changes have been dictated by the changes in the LSC contract and the way that it is administered. Although it actually provides a small proportion of Shelters funding, basically the organisation seems to be taking its lead 100% from the way that contract is run now. Basically the organisation is doing everything it can to fit in with what the LSC wants us to do" (Manager Five). "That means that we are less and less independent and more and more reliant on government giving us funding. So I would say we are more subject to government control and pressure to behave in a certain way" (Manager Three).

The LSC is a non departmental body that manages Legal Aid on behalf of the Ministry of Justice in UK. It shapes the environment of funding for advice agencies delivering legal aid advice and guidance to local communities. It is, in the main, driven by the assumptions of new public management, customer satisfaction, continuous improvement, competitive markets, private sector practices, efficiency and demonstrating effectiveness. The administration and delivery of legal aid was reformed in 2006, driven by the assumptions of new public management. These reforms had a tremendous impact on Shelter and the whole legal advice environment. As a result of the institutionalisation process and as a result of the increased pressures to achieve more with fewer resources, the public sector agencies followed the LSC practices, in particular around achieving increased efficiency and effectiveness. This led to stricter conditions on the tendering



documents and tighter bands of what they were prepared to accept and their costs. These changes had a profound impact on Shelter as an organisation. The next sections, hereafter, explore how the reforms and the institutional pressures impacted on Shelter.

## **6.5 Impact on the Organisation's Goals and Mission**

*Proposition 1: The less multi-functional a VSO is, the more likely is it that the introduction of contracts and market based competition would cause organisational goal ambiguity and mission drifts.*

The LSC reforms were too prescriptive, and profoundly affected Shelter's goals and mission. Firstly, the beneficiaries had to pass the LSC eligibility criteria of entitlement to legal aid. However, the legal aid thresholds were set very low. For instance, it excluded people at risk of losing homes through repossessions, people struggling with rental arrears but still in jobs and people recently made redundant. These legal aid rules were rigorously enforced and this restricted who could be assisted by Shelter. Secondly, housing advice was repackaged into social welfare. So, Shelter was forced to move away from housing based advice into other areas of easily reimbursable social welfare law but outside its core housing advice area.

To justify this, the organisation developed a strategic plan, based on the external analysis of the environment. The spirit of the strategic plan was much more to align Shelter goals and missions with the funding opportunities in the environment. Managers argued that the strategic plan was developed in consultation with a wide range of the organisation's stakeholders. However, some respondents argued that the involvement of the stakeholders in the strategic planning process was minimal. The strategic plan became the management tool, for managers at the headquarters, to regulate what the Housing Aid centres were doing. The managers were empowered to interpret this and develop services aligned to the funding opportunities. A Shelter manager (Manager Six) said: "My role takes the different elements of the strategic plan. I interpret that within regions and look at the development opportunities in order to gain money in statutory funding. ... So I sort of

manipulate the service strategy and incorporate that locally so that it fits the local, regional and organisational needs”.

Previous to this, Shelter Groups could come up with any activity that they wanted as long as it related to homelessness. That however was stopped and a number of support functions like HR, Public relations and campaigning were centralised. For instance, campaigning was taken out of the staff job descriptions and centralised, to focus not on the local experiences of Shelter users but the broader policy objectives based on central government policies. So, the advisors no longer had in their job descriptions a role to do with campaigning.

The contract and the changes helped Shelter to increase the level of service provision and to meet other needs that it was not previously meeting. However, it also stifled innovation and impacted on the organisation’s mission. As recounted by Shelter managers: “If we are to help people we have to align our work to some of the statutory funding priorities out there. This can free up voluntary income that can help with campaigning and policy work. But the more we are reliant on government funding, the less I think, we are able to really challenge vigorously those things that we think are not right” (Manager Seven). “The focus on contracts and having to deliver 100% to those contracts has really restricted our ability to help those people who fall outside such criteria” (Manager Nine).

*Therefore, in relation to proposition one, as a result of the competitive pressures, Shelter realigned to the goals and missions of its funders, mainly the LSC and shifted from housing advice into other social welfare advice as dictated by the LSC. It also reduced its campaigning activities and restricted access to its services as it prioritised reimbursable services prescribed by the LSC according to legal aid eligibility criteria. This stifled its innovativeness and responsiveness to users’ needs.*

## **6.6 Impact on the Organisation’s Independence**

***Proposition 2:*** *The more a voluntary sector organisation is dependent on one donor the greater would be the likelihood that its legitimacy weakens as an independent actor.*

Driven by the LSC, the rigid performance management framework and the pressure to achieve bottom line efficiency fundamentally impacted on the organisations independence and legitimacy. In the main, they forced Shelter into otherwise undesirable adaptive strategies. Firstly, Shelter had to demonstrate to the funders and other stakeholders that it was effective and was delivering good value for money. As a result, new performance management systems, including key performance indicators, to monitor and improve performance at all organisational levels, were rolled out. The new systems significantly changed the working practices of the organisation and generated resistance from its stakeholders. Shelter managers acknowledged that the administrative requirements for demonstrating accountability were excessive and beyond the reasonable requirements. Shelter managers (Manager Six) commented that: "The organisation has changed because we had no choice in some respects. I think the organisation chose to become more business focused, therefore we would drive contracts and we would drive performance and changed the methods of the way that we work in order to achieve those contracts".

The second challenge was that the fixed rate for legal aid was set too low. The average fixed fees for New Matter Start did not take into consideration the different levels of costs depending on the area and the needs of the user. For instance, a person facing eviction due to rental arrears may have a lesser level of need than a homeless person on the street. Client groups from the BME, Refugees and travellers' communities require more challenging and specialist work, with higher costs than other communities, because of their specialists needs. However, all these factors were ignored in setting the fixed fees for legal aid. This led to a number of undesired consequences.

Firstly, Shelter had to subsidise the contracts, at an average of one million pounds a year, to maintain quality and to remain financially viable. This led to a drop in Shelter's reserves from £6.5 millions to £3.5 millions in 2009 (See Shelter's annual report 2008/9). In turn, this reduced the organisation's capacity to fund none directly funded services. So, a number of services previously provided were deleted. This also reduced the organisation's capacity to work on social policy, prevention,

identifying needs and developing new services. It also undermined advocacy and increased pressure for the organisation's self censure in front of its funders for fear of punishment.

As a result of reduced voluntary income, the organisation was pressured to identify alternative sources of income. A number of pilot projects were set up based on their ability to either attract individual donations or statutory contracts. For instance, children's services were prioritised to appeal to the individual donors in a way that organisations perceived to be working on popular causes would. They were moulded around how organisations working with children, cancer or animals, market their services. The organisation was also forced to diversify and lever all areas of social welfare law which included housing, welfare benefits and debt counselling. This programme of strategic expansion impacted on the level of quality of services provided. To help improve quality the organisation set up an Internal Audit unit, with the responsibility of enforcing and improving contract compliance. A long term serving manager (Manager Two) mentioned that: "... with an ever increasing diversity of services and diversity of funding background, with funders increasingly becoming more explicit in the contracts as to what they are expecting to be delivered, we want to be seen as an organisation that delivers against quality and against contract performance. So, the organisation has invested in having a team of people to do that".

The organisation also aggressively pursued networking and collaborative partnerships with the private sector organisations. One of the notable successes included winning the staff and member vote to be the adopted charity for The Co-operative Group; working with the Vodafone (UK) Foundation to develop Shelter Networks. The organisation also had funding from Bradford & Bingley, BM Solutions and pro bono consultancy from a number of corporate organisations. It also re-branded its shops in line with the retail environment and closed the shops that were not properly performing. The impact of all this was summed up by two Shelter managers who said that: "We are much more business organisation now. We are much more driven by the contract culture. Some of that is positive but some of it is negative" (Manager Eight). "There is always a danger that you just replicate a local authority. You become a government arm, just delivering a particular service. That

may be OK, but I think for me personally, there is something about charitable of added value which is something a little bit more and little bit different from what a local authority does. I think that is a shame if we lose that and I think there is a danger that we might lose that. I wonder where the client is in all this. It is driven by money isn't it, absolutely driven by money" (Manager Four).

Secondly, the fixed fees forced the organisation to focus on New Matter Started<sup>4</sup> and closed, as a unit of measurement and as a basis of claiming payments. The pressure to claim fees led the organisation to close cases sooner than they would have previously done. Staff were encouraged to split a case in a way that divides the user's problem into different categories to increase the number of New Mater starts. If a user had other needs, instead of following the case through from start to appeal, a case would be closed and the user would be sent back to the homeless person's unit for reassessment as a New Matter. So, advice was reduced from a process of helping someone to take control of their lives to transaction about a particular event or task in one's life. This made it hard for Shelter to maintain quality.

Thirdly, this led to stronger preference for cases that are short and simple rather than longer term and more complex, leading to reduction of specialist and challenging work. According to the respondents, staff were encouraged to make decisions on rationing services to cut down on costs. This drew the organisation away from social policy and preventative work and damaged the relationship between the staff and their service users. With increased focus on efficiency, staff workload, uncertainties, increasingly poor quality of services and staff morale suffered. All this raised questions about Shelters' independence and legitimacy as a VSO. Summing it up a manager (Manager Three) said: "That means that we are less and less independent and more and more reliant on government giving us funding. So I would say we are more subject to government control and pressure to behave in a certain way".

*Therefore, in relation to proposition two, the pressure of relying on the resources extracted from the environment reduced the organisation's ability to uphold its purpose, values, negotiating robustly with funders and the freedom to influence*

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<sup>4</sup> New Matter Started in this context is used to refer to any user seen for the first time against whom Shelter can legitimately claim to be paid according to its contract with LSC.

*public policy without the fear of sanctions. It impacted on quality of its services and reduced its capacity for social work and ability to work on specialists and more challenging work targeted at users with specialists needs. This undermined its legitimacy and integrity as an independent actor and in a way Shelter became an LSC quasi-public sector agency.*

## **6.7 Impact on the Organisation's Governance**

***Proposition 3: The more the success of a voluntary sector organisation depends on winning market-based contracts, the greater would be the likelihood that its democratic accountability would be lessened.***

Shelter has a large number of stakeholders but has never had a democratically elected board or defined membership as such. According to the managers, all up to 2005, Shelter was being governed by a loose network with a representation of housing professionals, community activists as campaigners on housing and tenant representatives. It used to hold Annual General Meetings (AGM) where the trustees were being said to have been elected. But the AGMs would be attended by only the existing board members and the senior management team. The most common form of trustee recruitment was through friends or via existing board members.

This resulted in a number of difficulties as cited by the Shelter managers. Firstly, there was a lack of board diversity. "Most of the trustees were aged 45 or over, hence the prevailing stereotype of trustees being white, well-heeled and retired", said Manager Four. There was also a lack of board renewal which resulted in challenges of board control, board inexperience and lack of board's awareness of the organisation's strategic position in the market. As a result, there was a failure of questioning decisions of the management team either because relationships had become too cosy or because the trustee expertise and confidence were lacking.

However, attention as to how Shelter is governed intensified as a result of the LSC funding. As a result of the competitive pressures, Shelter was required by funders to demonstrate both professional diversity and representation of the wide range of its internal stakeholders on its board. Professional diversity required that the

organization had on its governing board people with a wide range of skills and experience to shape the work of the organisation. As put by one of Shelter managers: "Trustees that see the business behind the charity as well as the need that it is striving to meet" (Manager Six). Internally, competitive pressures required dynamic leadership from trustees with ability to develop strategy, offer good strategic leadership, take tough decisions and carve scant resources from the environment. These drivers led to a governance review in 2006.

As a result of the governance review, by 2009, the organisation had a Board comprised of 12 trustees, with the overall responsibility for the strategic direction, management and control of the organisation. They had delegated some of their responsibilities to Board sub-committees and, the day to day operational management, to the Senior Management Team. Recruitment of Board members was by advert and then applicants would be interviewed by the Nomination Committee, based on job description and person specifications that delineated the skills and experience required.

In particular, akin to the private sector governance model, the Board had the responsibility of rigorously monitoring the organisation's efficiency and effectiveness and ensuring that the organisation was following best practice in the sector. As a result Trustees drove through the organisation significant changes to increase the organisation's competitiveness and to ensure organisational survival. All new Trustees were being thoroughly inducted and issued with a Governance handbook explaining their role and responsibilities, in relation to the organisation's strategic position. They were also kept up to date with sector developments through regular bulletins and training. Individual Trustees, where appropriate, were encouraged to visit areas of the organisation's work, to ensure that their decisions are based on appreciation of the experiences of staff and their service users.

However, as a result of the new recruitment method, tenants and community activists had been removed from the board and replaced by professionals. The explanation by one of the Shelter managers (Manager Four) was that: "It can be hard to balance the need for board members who boast of professional skills with the need to involve members of the community and create a truly diverse board.

Community representatives or service users encouraged into the boardroom might lack the experience and confidence to grapple with complex decisions. One answer to that has been to involve people in ways other than being on the board, through forums that feed back to the board”.

Almost unanimously, staff mentioned that there was no link between the trustees and the rest of the organisation. There was a mention that occasionally, trustees are taken out to visit projects but obviously not all projects can be visited. The trustees relied on information from managers to make decisions. But this was through a lengthy chain of staff to manager, manager to divisional director and divisional director to trustees and vice versa. Staff respondents expressed scepticism that information got lost as it got filtered through the communication channel. One manager (Manager Six) commented that: “So I don’t see any connection there at all. Staff on the ground, I don’t think have any perception of what the trustees do or what influence they have on the organisation. No, I think there is quite a distance actually.”

The organisation was encouraging user involvement as much as possible through user panels and surveys to comment on things like policies, procedures and changes to service delivery. However, there were reports (Manager Six) that once users received the services: “...they don’t want to keep around because the organisation reminds them of the sad episode in their lives. Secondly, it is difficult involving the users because their lives are a bit chaotic”. Therefore, although there was emphasis on user involvement, as required by the contracts, it was less evident in the organisation’s services.

*Therefore, in relation to proposition three, Shelter had less democratic accountability but had the wider participation. However, as a result of the competitive pressures, Shelter was forced to align its governance to the private sector governance model. This increased its performance management activities and skewed its accountability towards its funders to increase its competitiveness. The organisation was also forced to professionalise which displaced the community activists on its board, alienated the internal stakeholders, reduced the democratic accountability and the wider participation within the organisation.*



## **6.8 Implication for the Organisation's Workforce Management**

*Proposition 4: The faster the pace of professionalisation of services in a voluntary sector organisation the greater would be the likelihood that its key competencies of voluntarism, informality and diversity are undermined.*

Competitive pressures heightened, early in 2008, when Shelter faced a situation that unless it significantly adapted and changed, it had to make about a quarter of its staff redundant. For over three years, its reserves were dropping as a result of subsidising contracts. It had higher unit costs and as a result it was bidding above the market rates. But the commissioners preferred lower priced bids irrespective of the quality of services provided. As a result, Shelter had lost a number of contracts including for services it had itself pioneered and got funded. As an organisation, it was waiting to hear on three other big contracts. According to the respondents, if it didn't get them, it would be in a very precarious situation.

Benchmarking itself against other providers, Shelter had to think about how to become leaner and more efficient in its application of resources. Its main cost base was high staff unit costs at 75% of its expenditure. Shelter had effectively invested in its staff and volunteers as an excellent employer. As a result of its excellent employment track record, Shelter had been twice British Employer of the year, awarded in 2006 and 2007 by Britain's Top Employers™ a project that delves into the heart of employer intelligence through the HR Benchmark™ research process. Shelter won the award because it was paying good salaries and had favourable employment conditions.

It paid salaries much higher than its competitors like the Citizen's Advisory Bureau and had excellent staff employment conditions including flexibility within jobs and flexible working hours for people with difficulties. For instance, it offered extended range of support; like telephone counselling, reduced working hours when kids are on holiday and then offered staff opportunity to increase their working hours when children go back to school. It also had an excellent volunteer training programme to ensure that volunteers are developed and supported. As a result, its staff retention was much above the sector average.

The organisation had, as one of its strategic objectives “fostering further development of a motivated, outcome-focused and efficiently organized staff team” (Shelter Annual Report, 2008/2009). In a 2005 internal staff survey, more than 71% emphatically demonstrated that they were engaged not only with their work, but also with Shelter as their employer and over 88% reported that they were proud to work for Shelter. Overall, staff felt that Shelter was a great place to work. Most notable was that there were a wide range of channels of internal communication and that the organisation was encouraging and learning from feedback from staff.

However, in 2008, as a result of increased competitive pressures Shelter undertook a complex package of organisational restructuring. Firstly, Shelter cut down on the numbers of staff to cut down on costs, make the teams more efficient and competitive, and to ensure that there is a right ratio of administration, managers and their teams. This led to a number of redundancies and increased caseload for the remaining staff. Secondly, as Shelter had out priced itself out of the contract market, to realign itself back with the market prices, posts were downgraded and new salary scales were assigned to the new structure. But the working hours were increased and the automatic salary increase was abolished. For instance, a staff previously earning £28,000 suffered a pay cut down to £25,000, but with increased working hours and responsibilities. Explaining the changes a managers at Shelter (Manager Four), said that: “Overall the statutory funding is going up 12 million, but LSC has grown dramatically in the last couple of years, and they have been the catalyst for us looking at our working practice, drawing up work plan, having to increase the working week and taking away the increments. It has been really tough drawing it up and driving it through. I am used to a certain level of redundancies in the last couple of months”

The amendment of all staff contracts, the complex union negotiations, and the bad publicity did not go down well for the organisation. Large numbers of experienced staff left the organisation and those that remained had low morale. A manager (Manager Three) commented that: “I suspect that there are more people leaving now and that has been for a while. I think management would say that that is not the case. But I tend to see familiar faces disappearing”.

At one point in time, an internationally renowned painter, teacher and life-long supporter of the organisation, went on UK TV and asked the public not to donate money to Shelter. Ken Loach, whose TV documentary; *Cathy Come Home*, that 40 years ago had coincided with the founding of Shelter, was also back in the media, urging the public not to donate money to Shelter. Because of poor pay and all the bad publicity that ensued, it equally proved difficult for Shelter attracting new staff with the right mix of skills. This significantly impacted on the organisation's ability to deliver its contracted services. The difficulty of the situation is summarised in the organisation's annual report 2008/2009 (page, 5) where it reports that: "It has been a difficult year for staff, as Shelter changed the terms and conditions of employment of some employees in order to be able to compete effectively for government service contracts".

Expressing their views about the changes, managers, at Shelter, made the following comments: "What happened is that it has been a big project of change. We have lost a lot of experienced people and we have just replaced them with inexperienced people. It has been very difficult to recruit people of sufficient quality across the board. Therefore we have had to invest a lot of time and money in training people and getting them up to speed". (Manager Two)

"In that regard I think what we are left with in services is a number of people who probably in this moment in time are not capable enough to be delivering specialist services and that is what I think" (Manager Five).

"We seem to be entering a period where we have moved from settled establishment to an establishment that will be continually recruiting, to manage a great turnover of staff at a number of different levels" (Manager Eight)

"The process of negotiation ended up at ACAS<sup>5</sup>. I think for a charity to conduct itself in that regard was a step too far probably into the commercial world. If you are

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<sup>5</sup> Advisory, Conciliation and Arbitration Service (ACAS) is an organisation set up by government offering free, confidential and impartial advice on all employment rights issues and devoted to preventing and resolving employment disputes.

looking for evidence, then there is clear evidence that the negotiations shouldn't have ended up in ACAS" (Manager Seven).

*Therefore, in relation to proposition four, Shelter was strongly aligned to the voluntary sector workforce management model. However, as a result of increased competitive pressures, it realigned its self to the private sector model. As a result, staff were seen not as assets but as costs to be managed, focused on achieving increased efficiency and productivity, without regard to quality of services. All that caused a high degree of uncertainties, severely impacted on the workforce morale and the traditional ethos of voluntarism, informality and diversity across the organisation. Individual hopes, feelings, preferences, and valuing relationships across the organisation, previously core to the organisation's working, suffered.*

## **6.9 Impact on the Organisational Values**

*Proposition 5: The greater the threats to a VSO's survival, as a result of the competitive pressures, the more drastic would be the impact of contract and market based competition on its core traditional values and ethos.*

Shelter was founded as a value driven organisation, driven by the values of tackling poverty, ending homelessness and fired by a vision of direct action to challenge the scandals of unsuitable temporary accommodation and homes wasted when families remained homeless. To achieve this mission the organisation emphasised the traditional voluntary sector value of community participation, stewardship, equality of opportunities, informality, collectivism and user empowerment.

In its early days, these values shaped its delivery of organisational goals and mission, fundraising, governance and workforce management. In the main, the services delivered were shaped by the inner feelings and aspirations of the organisation's stakeholders and not driven by external environmental pressures. Although the organisation had less democratic accountability, because it had no defined membership, it involved a wide range of stakeholders in its decision making processes. Staff recruitment always prioritised people with experience of using its services or people with experience homelessness services. This was with a view of

ensuring user participation in the planning and delivery of its services. It also involved its stakeholders in a wide range of its complex but inclusive decision making committees.

There was a shared belief, across the organisation that everyone recruited either as staff or as a volunteer brought in value, talent, skill and resources to the organisation no matter what their roles or job in the organisation might have been. So Shelter regularly consulted both formally and informally to gain consensus on a wide range of issues. It is this valuing of people, the informality, trust and drive to engage all the internal stakeholders that led to a shared feeling of comradeship and tolerance within the organisation. It enthused staff to volunteer extra hours and for many people to join as volunteers, braving winter biting frosts, as unpaid campaigners on social issues. Across the organisation, there was a shared consensus amongst many of the respondents interviewed, that before the onset of the competitive pressures of new public management, the organisation was more inclusive.

However, because of the competitive pressures the organisation was forced to align to the private sector value model of competitive strategy, risk taking, competitive positioning and the discipline of efficiency in order to minimise costs. An organisation that had been so informal and inclusive, as a campaigning organisation, became very hierarchical with unambiguous organisational structures defined and enforced in relation to achieving organisational aims and objectives linked to the contract specification with the LSC. This reduced its flexibility, ability to meet needs, capacity to dissent, capacity to collaborate, freedom to set organisational priorities and ability to provide the wider benefits of services beyond the tightly defined contract specifications. For instance, campaigning was removed from the staff's job descriptions and centralised, reducing its centrality as the *raison d'être* of the existence of the organisation.

The organisation structures shifted from informality and trust reporting systems to market driven business practices. There were more centralised roles, reduced internal participatory mechanisms, lesser user empowerment, lesser need to build networks based on social capital and increased competition between the previously collaborative partners like the Citizens Advice Bureau.

An organisation that had been voted twice as having excellent employment practices reverted to an extrinsic psychological contract, based on maximising efficiency to reduce unit costs. Staff salaries were reduced and the previously excellent working conditions were downgraded. However, staff workloads were increased with a greater focus on efficiency and increased productivity akin to a private sector organisation aiming at maximising profits and ended up in the press as the worst employer. Commenting about her experience (Manager Four) said that: "I think what I worry about is whether we have lost some values to this contract culture. It is a funny thing, isn't it, when the world becomes obsessed with processes and targets and they lose the human being in the middle of that". Another manager (Manager Six) added that: "It is all about competition. The competition is just too tough. We are all trying to undercut each other. Everybody is trying to undercut".

Agonising about the changes, Manager Four said: "I just look at the Baby P case ... the child that was neglected and died, and the kind of thing that she went through. Nobody in life would have purposely wanted that child to die in the hands of his parents. The more regulation you have the lesser responsibility people take, because you can always turn around and say I ticked the box, it is not my fault. Yet the government is obsessed with it. I mean all sectors, NHS, education and charities are going through a big transformation. I am not sure it is always for the best though. I think it is really good to get best value, but not at the expense of people, and that is why I work in Charity. ... However, I am still a lonely voice".

*In relation to proposition five, as a campaigning organisation and focal point for voluntary action on homelessness, Shelter was founded as a strongly value driven organisation based on the traditional voluntary sector value model. It was inclusive, valued relationships and delivered services shaped by the inner feelings and aspirations of the organisation's stakeholders and not by the external pressures. However, as a result of the competitive pressures it realigned itself to the values of competitiveness and this drastically eroded its traditional values and ethos. It reduced its degree of informality, flexibility, ability to meet needs, capacity to dissent, capacity to collaborate, freedom to set organisational priorities and ability to provide the wider benefits of services beyond the tightly defined contract specifications.*

## **6.10 Conclusion**

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 process. This allowed it the freedom to experiment, innovate and act as an independent and legitimate VSO. 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 funders, largely, the LSC. 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 the homelessness agenda. 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*.

## Chapter Seven: Cross-Case Analysis

### 7.1 Introduction

In chapter one the aims and the ethos of the study were outlined. As a partial requirement of the Kingston DBA programme, the study was undertaken as a bridge between academic knowledge and professional practice, seeking real solution to a real management problem around adaptation in the VSOs. Therefore as its ethos, although it does, the focus has not been on making a significant contribution to theoretical knowledge. The focus has been on reflecting the eclectic nature of management through an inter/multi-disciplinary study and making a contribution to management practice and policy.

Based on the outline, the research question was: If a voluntary sector organisation is to adopt the private sector practices to be able to more effectively compete, demonstrate effectiveness and continuous improvement, how would that impact on that VSO's effectiveness? To answer that question, in chapter two, using organisational adaptive theories, the study predicted the possible organisational adaptive strategies that organisations may adapt under pressure to ensure organisational survival. On the basis of the predicted organisational behaviours, the study predicted how such strategies may impact on the organisation's goals and mission, independence, governance, workforce management and organisational values. As a result five propositions were developed.

According to Creswell (1998), when using a multiple case study design, the usual formula is to "first provide a detailed description of each case and themes within the case, called a *within-case analysis*, followed by a thematic analysis across the cases, called a *cross-case analysis*, as well as assertions or an interpretation of the meaning of the case (p. 63). Chapters four, five and six presented the *within -case analysis*; the empirical data as narrated by the respondents or as unearthed through the various data collection methods adopted and interpreted around the five propositions of the study. It is intended that the data presented in the *within-case analysis* should aid the reader in understanding the particulars of the cases and the conclusions that the study draws from interpretation of that data.



In this chapter, the study presents the *cross-case analysis*. Based on the conceptual model developed in chapter two, the study attempts to draw assertions or an interpretation of the meaning of the cases, to draw conclusions as to whether based on events shaping the history of the three case study organisations, the five propositions have been born out in practice. Therefore, this chapter, analytically marshals the facts generated and attempts to present an episode in a conceptually coherent model. The attempt is to present the cumulative effect of apparently distant and even initially unrelated events and actions whose interplay has complimented each other to drive forward certain institutionalised organisational behaviours, which has resulted into clearly observable patterns, providing answers to the questions asked and the propositions developed. Therefore, this chapter in relation to findings from the three case study organisations, presents the findings of the impact of the competitive pressures of new public management on the voluntary sector organisations' goals and mission, independence, governance, workforce management and organisational values, drawing generalisable conclusions.

In drawing the conclusions under each of the five propositions, the study starts with a brief presentation of the proposition based on the paradox drawn out in chapter two. This is followed by presentation of the adaptive strategies that these case organisations adopted and the transformational effect that such strategies had across the three cases. At the end of each of the proposition, a comparative table is presented summarising the extent of the impact in each of the case study and the generalisable findings, across the voluntary sector, are drawn.

## **7.2 Impact on the Organisations' Goals and Mission**

***Proposition 1: The less multi-functional a voluntary sector organisation is, the more likely is it that the introduction of contracts and market based competition would cause organisational goal ambiguity and mission drifts.***

This first proposition is premised on the grounds that there are significant differences between the private sector and voluntary sector organisation's *raison d'être*. Private sector organisations primarily exist to maximise profits. They exist to create surplus,

maintain it against competition and distribute it among shareholders as profit (Hart, 1996; Eldenburg et al, 2001). Therefore the mission, values, governance and workforce management in a private sector organisation are all aligned to maximising wealth for the shareholders driven by a search for a competitive advantage (Eldenburg et al, 2001). However, voluntary sector organisations primarily exist with advocacy or social value based missions primarily to meet the unmet needs as a result of the inadequacies or short comings of the public sector provisions. They are born out of failure of public sector provision to respond to particular needs, often of marginalised communities.

What would be the transformational effect of a voluntary sector organisation, if it aligns its goals and mission to the goals of the private sector or its contractor to achieve mission congruence in order to win a contract? Central to proposition one, the study hypothesises that, a voluntary sector organisation aligning its mission to the private sector's *raison d'être*, would mean that organisation's goals and mission are aligned to competing and winning contracts based on market values. As a result, emphasis on advocacy or social 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 will suffer. Emphasis would shift from the traditional mission, vision, values and focusing on meeting the traditional needs of its users to meeting expectations of funders.

However, this would vary with the degree of how multi functional an organisation becomes. The more multi-functional an organisation becomes, the more an organisation would lose sight of what used to be its core values and services, rendering the organisation more pliable to accepting contracts and market-based competition. That however may not necessarily represent a significant mission drift in larger organisations. Larger and more multi-functional voluntary organisations would accommodate market-based solutions with ease. However, smaller voluntary organisations or those that have stuck to their traditional core services, even if they are considerably large organisations, would have reluctance in accepting these norms. This is because, in such organisations, it would lead to goal ambiguity and mission drifts and significant changes around how an organisation is designed and run. Therefore, under this proposition, that is what this study investigated.

### **Pressure for change across the case organisations**

The overall context of the pressures leading to adaptation at the three case study organisations was in essence shaped by changes in the delivery of public services. All the three case organisations experienced the pressures of reduced government funding, a shift from grants to service contracts, the pressures of increased competition including with the private and public sector providers, the pressures of increased professionalisation, greater accountability through performance management and the need to demonstrate increased efficiency. The changes in their environments fundamentally posed serious threats to their organisational survival. With the increased competition and the pressure for organisational survival, the environment required that the three case organisations acquire the efficiency, flexibility, innovativeness, and discipline, traditionally associated with the competitive private sector world (Alexander, 2000).

The intensity of these pressures may have been felt by the different case organisations at different points of time. However, for all the three it intensified after 2006. At the Refugee Council it started in 2000 after the Immigration and Asylum Act 1999, that led the organisation into a contract with the Home Office to deliver emergency accommodation and to assist with the enforcement of the asylum seeker dispersal. However, for BrAVA and Shelter, the process of change comes after 2006, when most significantly, the public sector announced a shift from grants to contracts as part of the institutionalisation process of new public management.

### **Strategic Planning as an adaptive strategy**

The experience of the three case study organisations demonstrates that strategic planning is one of the most important private sector management tools that voluntary sector organisations adopt as a way of managing change. It was widely adopted across the three case study organisations. Respondents, across the three case study organisations, reported that strategic planning encouraged management to consider a range of possible futures in line with trends in their operational environments. It helped these organisations to generate organizational analysis of their strategic positions and as a lens through which they gauged the value of opportunities and threats that their future presented. So strategic planning, across

the three organisations, encouraged management to consider a range of possible future scenarios; in light of their external environmental audits, recognise the threats and prepare for them.

However, across the three organisations, strategic planning had limitations that need to be considered. First, as predicted by the neo-institutional theorists, organisations operate within a social framework of norms, values and taken for granted assumptions about what constitute appropriate acceptable and unacceptable behaviours at individual, organisational and inter-organisational levels. In the case of the three case organisations, strategic planning was driven by a search for organisational conformity with the normatively sanctioned organisational behaviours because such behaviours would be rewarded with increased legitimacy, resources and survival capabilities. So in this instance, strategic planning was about bringing their organisations in line with a competitive environment that rewards market discipline as a result of new public management. Such changes, however, although they were normatively sanctioned may not have been the best options for the three case study organisations.

Secondly, the organisational strategies are likely to be influenced by the dominant organisational actors. The dominant organisational actors in any organisation, as posited by the resource dependency theorists, would be the managers that can influence access to resources. The resource dependency theorists warn that, such dominant organisational actors may not act in the best interest of the organisation. In the case of the three organisations, respondents reported internal repression of goal setting and goal analysis in the process of strategic planning, to achieve an organisational strategy that aligns their organisational missions to the funders predetermined agendas. This is strongly evidenced by the strong resistance by the internal stakeholders like the staff in Shelter that went on strike attracting negative publicity, and by the staff at Refugee Council who passively resisted the organisation's delivery on the contract with the Home office. At Shelter, a manager (Manager Five) said: "The main changes have been dictated by the changes in the LSC contract and the way that it is administered. Although it actually provides a small proportion of Shelters funding, basically the organisation seems to be taking its

lead 100% from the way that contract is run now. Basically the organisation is doing everything it can to fit in with what the LSC wants us to do”.

In all the three organisations, the aims of the dominant organisational actors were to align the goals of their organisations to the goals of the purchasers of services. That is because it is by aligning their goals to the goals of their purchasers that they could get contracts. This had a fundamental transformational effect of all the three case organisations. BrAVA had been founded as a focal point for voluntary action in Brent and the Refugee Council was founded as a focal point for voluntary action on refugees and asylum seekers' issues, whilst, Shelter was founded as a focal point for voluntary action on homelessness. However, as a result of the competitive pressures, BrAVA was forced to shift from meeting organisational needs to meeting individual needs around volunteering. The Refugee Council prioritised working with NASS to deliver the asylum seeker dispersal program and emergency accommodation driven by the spirit of the Immigration and Asylum Act, 1999. Shelter prioritised the services as prescribed by the Legal Services Commission and revised staff job description to remove campaigning and advocacy as a core element of their work.

### **The Transformational effect of the adaptive strategies**

The problem with these organisational strategies is that, as evidenced by all the three case study organisations, the aim of the public sector is different from that of the voluntary sector. The aim of the public sector, in this instance, was to maximise efficiency of provision, meet political agendas, policies and priorities as set by the politicians and implemented by the public sector bureaucrats. So the public sector was only interested in any of the three case study organisations as long as it could target the voluntary sector provisions towards meeting the public sector policies and priorities and ensuring value for money and greater accountability. Therefore, in all the three case studies, aligning services to the funders' priorities had significant implications for the organisations' missions. First, as corroborated by Smith and Lipsky's (1993) findings, it meant prioritisation of services that could easily be funded. Secondly, it meant preference of activities that are reimbursable, profitable and neatly aligned to the funders' priorities.

This is vividly evidenced by the examples of the Refugee Council and Shelter. At the Refugee Council, the organisation was virtually turned into a housing association, managing housing accommodation for refugees on behalf of the Home Office. The spirit of the service contract was for the Refugee Council, collaboratively working with NASS, to assist the Home Office with the dispersal and management of emergency accommodation in a manner that projected an image that UK was not a soft touch for asylum seekers. Accommodation provided was argued to be substandard, targeted to fit within a certain ceiling unit cost. According to the service specifications of the contract, Refugee Council staff were asked to monitor and report details of asylum seekers in emergency accommodation with a view to ensuring that only asylum seekers deemed as eligible for housing are accommodated. Staff were also required to sign occupancy agreements with the landlord to ensure that no asylum seeker leaves accommodation for more than a day without prior authorisation by the Reception Assistants. This was designed to monitor the asylum seekers movement to ensure that they are available to travel at short notice and without prior warning.

However, this is not why the Refugee Council was set up: "We were a refugee service and not a housing association. But we took on emergency accommodation contract", a Trustee (Trustee Two) at the Refugee Council told this researcher. Also, staff had a psychological expectation of acting in the best interest of the asylum seeker and not the Home Office. It is because of helping refugees and asylum seekers that they had joined, at times accepted low pay and volunteered their time to the organisation. It was not the other way round. So this met some resistance as reported by one of the managers (Manager One) at the Refugee Council: "And some of the members of our staff were morally against doing what the home office was doing. I couldn't say it was sort of demonstration but – there were meetings taking place where some staff were refusing to work. And then from the Home Office's point of view, the organisation was sub contracted- we had to do what we have been asked to do. So that really creates a big problem for the organisation both internally and externally, including the relationship with the Home Office".

At Shelter, almost unanimously managers reported their activities being driven by the Legal Services Commission (LSC). This meant that the organisation had to prioritise

services that could easily be sold to the Legal Services Commission. The Legal Services Commission however, was very prescriptive and reduced the organisation's flexibility. But also, what LSC offered was based on targets difficult to measure and this, as reported by staff and managers, increased competition between Shelter and organisations that Shelter previously collaborated with. For instance, driven by the Legal Services Commission, housing advice was repackaged in social welfare. As a way of ensuring organisational survival, Shelter matched its services with what the Legal Services Commission could pay for. As a result, Shelter moved away from housing based advice into other generalist areas of social welfare law, representing a departure from Shelter's core housing advice area and mission.

Secondly, according to the service contract between Shelter and the LSC, it is on the basis of cases seen that Shelter would be paid, in arrears, at a fixed rate per user seen as New Matter. However, according to managers at Shelter, the fixed rate was set too low. It did not take into account the varying levels of costs depending on the area of the country, the population being served or the complexity of the case. In the interest of organisational survival, this led to a rationing of services to cut down on costs and to be able to work within the given unit ceiling cost. This led Shelter to have stronger preference for cases that are short and simple rather than longer term and more complex. In turn this increasingly meant a reduction of specialist and challenging work and prioritisation of services that are easily reimbursable targeted at clients not difficult to serve. As a result, this drew the organisation away from social policy and preventative work. The experience at Shelter is summarised by a comment here under by a Shelter manager: "There is always a danger that you just replicate a local authority. You become a government arm, just delivering a particular service. That may be OK, but I think for me personally, there is something about charitable of added value which is something a little bit more and little bit different from what a local authority does. I think that is a shame if we lose that and I think there is a danger that we might lose that. I wonder where the client is in all this. It is driven by money isn't it, absolutely driven by money" (Manager Four).

At BrAVA, the organisation shifted from focus on meeting public good, such as advocacy, building social capital and serving the poor to meeting individual client needs. As a result of pressure for organisational survival, BrAVA prioritised services

focused on individuals rather than the wider society. For instance, it prioritised volunteering for the socially and none socially excluded individuals driven by central government targets and access to volunteering for young people and people with mental health problems with employment targeted outcomes. BrAVA also started charging for some of its services which it had previously delivered free of charge. As a result, none contracted activities like campaigning, advocacy and facilitating strategic partnerships suffered as the organisation prioritised contracted services. Reduced provision of these services was partly as a result of resource constraints and the need to cut down costs. However, according to respondents from across the three organisations, in the main, advocacy suffered because these organisations feared that criticising the public sector policies and practices would negatively impact on the chances of their organisations winning a contract from the public sector in a highly competitive environment.

In order to sell their services and to win contracts, all the three organisations sought to project an image of professionalism, effectiveness and efficiency so that they can attract funding. So they became more market oriented and in many respect attempted to mimic the private sector practices to leverage their ability to compete for contracts. For instance, BrAVA hired a Media and PR consultant to help advice on projecting the desired image of professionalism, effectiveness and efficiency. So all the three case study organisations became much more business focused. That meant importing of institutionalised systems, procedures and change in the internal organisational behaviours with increased focus on competition. Such change, respondents reported, was not compatible with the traditional voluntary sector ethos, goals, social advocacy and community building value based mission.

In such circumstances, respondents reported less need of sustaining relationship and building networks of social trust say with the members, volunteers and community organisations to mobilise collective action to address social problems. In all the three case study organisations, emphasis shifted to creating networks of opportunities to bring money into the organisations and increased competition as corroborated by Alexander, Nank and Stivers' (1999) findings. For instance, at BrAVA, driven by the imperative of organisational survival, networking and building of social capital became less conversational with the local communities. More energy



was channelled into attending public sector liaison meetings with the public and private sector agencies with a view of influencing funding opportunities. Chasing funding for purposes of organisational survival became the dominant organisational priority, at times competing with the very organisations that it had been set up to support. In addition, BrAVA developed a wide range of services in direct competition with organisations that it had been set up to support. In effect, it became a competitor with those organisations. This drew sector complaint about BrAVA's reduced visibility within the community. The Refugee Council instead acted as a sub contractor on behalf of the Home Office, enforcing contract requirements with its sub contracted member organisation.

Therefore, according to the above profile it is clear that the three case organisations experienced varying degrees of goal ambiguity and mission drifts. It was more severe at BrAVA and Shelter. The Refugee Council experienced a high degree of goal and mission drift, however, it attempted to assert its independence by withdrawing from the contract. It continued experiencing the competitive pressures though, as it continued significantly relying on funding from the Home Office. The experiences of these organisations is summarised in table 7.2, hereunder, which presents a comparison across the case three organisations.

**Table 7.2: Impact on the Organisations' Goals and Mission**

|  | <b>BrAVA</b>  | <b>Refugee Council</b>   | <b>Shelter</b>  |
|--|---|--|---|
| <b>Provide mediating structures between individuals and state.</b> | <ul style="list-style-type: none"> <li>▪ Focal point of voluntary action in Brent.</li> <li>▪ Providing interface between local VS and the state.</li> </ul>  | <ul style="list-style-type: none"> <li>▪ Focal point of voluntary action on refugees and asylum seekers issues.</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Focal point of voluntary action on the homeless.</li> </ul>  |
| <b>Multifunctional/more focused.</b>                               | <ul style="list-style-type: none"> <li>▪ Less than 10 contracts.</li> <li>▪ No individual donations.</li> <li>▪ More focused on advocacy, building social capital, empowering local communities.</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Less than 20 contracts, largely with Home Office. So more focused.</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Less than 50 contracts but largely led by the LSC. So more focused.</li> </ul>                                       |
| <b>Services prioritised.</b>                                       | <ul style="list-style-type: none"> <li>▪ Prioritised services prescribed by the state.</li> <li>▪ Shifted from meeting wider society needs to meeting individual needs.</li> <li>▪ Reduced provision of non funded services like advocacy, partnership and research.</li> <li>▪ Introduced service based fees.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Prioritised Emergency accommodation and NASS support with Home Office.</li> <li>▪ Reduced sector representation, building capacity of RCO, campaigning and advocacy.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Prioritised services funded by LSC.</li> <li>▪ Reduced non funded services like campaigning and advocacy.</li> </ul> |

|  |  |   |   |
|--|--|---|---|
| <p><b>Shift from focus on public good to meeting individual needs.</b></p> | <ul style="list-style-type: none"> <li>▪ Shifted from meeting organisational needs to meeting needs of individuals.</li> <li>▪ Excluded vulnerable communities.</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Shifted from meeting needs of asylum seekers to meeting needs of the Home Office.</li> </ul>                                     | <ul style="list-style-type: none"> <li>▪ Shifted from meeting needs of the homeless to meeting needs of the LSC.</li> <li>▪ "Weeded out" clients who perceived as difficult to serve.</li> </ul>                              |
| <p><b>Extent of mission drift</b></p>                                      | <ul style="list-style-type: none"> <li>▪ Shifted from advocacy and building capacity of the VS to volunteering targeted at vulnerable individuals.</li> <li>▪ From meeting the wider society needs to meeting needs of the funders.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Mission drift was high.</li> <li>▪ At a point in time, turned into a housing agency managing emergency accommodation.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Mission drift was high.</li> <li>▪ Shifted from specialist housing advice to generalist welfare advice as prescribed by LSC.</li> <li>▪ Reduced campaigning and advocacy.</li> </ul> |

### Summing up

As a result of new public management competitive pressures, in all the three case study organisations, 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 the *raison d'être* of a voluntary sector organisation, was lost. This was replaced by emphasis on market based values focused on meeting expectations of funders who in effect, became the most dominant constituency. Emphasis shifted from services targeted at meeting the wider society needs of the poor, to services targeted at serving individuals that can pay. This led to neglect of organisational missions and external pressures around organisational legitimacy. This, however, varied with the extent to which an organisation was multifunctional. All the three case organisations were less multifunctional so were less able to absorb these changes without significant mission drift. ***So this study concludes that, the less multi-functional a voluntary sector organisation is, the more likely is it that the introduction of contracts and market based competition would cause organisational goal ambiguity and mission drifts.***

### 7.3 Impact on the Organisations' Independence

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

The second proposition is premised on the grounds that voluntary sector organisations have their distinguishing characteristics that are different from those of the private sector. It is these characteristics that confer organisational legitimacy and provide the basis for the voluntary sector organisation's competitive advantage.

Therefore, what would happen if a voluntary sector organisation is subjected to the pressures of new public management and has to depend on resources extracted from the environment? This study hypothesised that an organisation subjected to competition as a result of new public management, will adapt competitive strategies that would erode its distinguishing characteristics. The degree of erosion, however, will vary with the degree of organisational dependency on the provider of resources. This in turn will impact on the organisational legitimacy and the degree of independency.

The first part of this section, based on the conceptual model developed in chapter two, draws out those distinguishing characteristics. The second part explores the adaptive strategies that organisations in this study adapted and the transformational effect that such strategies had on organisational independence and legitimacy. The central running theme is that the strategies that these organisations adapted had some benefits. However, that the adaptive strategies shifted these organisations away from their founding values and missions and brought into question their legitimacy and organisational independence.

The three case study organisations, share similarities in terms of their distinguishing characteristics as voluntary sector organisations. They all provided services free at the point of delivery did not distribute profits and had no direct transaction between the user and the purchasers of their services. They all fundraised from the public sector and non statutory grant making trusts, benefited from individual cash donations and many hours of free labour from volunteers. Such donations were based on the perceived strength of the organisation, which again was based on the case study organisation's perceived distinguishing characteristics. It is these distinguishing characteristics that conferred the organisational legitimacy.

It is evident from the experience of all these organisations, that for the services that they provided, there were no automatic performance indicators and no clear consumer demand measurements of quality as in the private sector. For instance, at BrAVA services were aimed at empowering the local communities to more effectively engage in the decision making process. At Shelter, services were aimed at building the users' self esteem. These are not services that easily lend themselves to

measurable outcomes. Again with all the services provided, there were clear conceptual differences in effectiveness in terms of what is it that the purchasers and users valued. This could not be determined by consumer demand because unlike in the private sector, where market share is an indicator of effectiveness, in this case all the three organisations had infinite markets but finite resources. It was therefore difficult being clear about service specifications and therefore difficult linking performance to results. So before the new public management pressures organisations were being paid for effort and not results.

### **Competitive Strategies Adopted**

Subjected to increased competitive pressure, across the three case organisations, greater attention was placed on four competitive strategies; price based competition, diversification, differentiation and increased marketing activities. Price based competition in the private sector would be based on reducing unit costs to reduce price, whilst at the same time maintaining a competitive profit margin. In the three case study organisations, this took a form of attention to greater efficiency and prioritising low cost services. The three case organisations became more cost conscious with greater attention to efficiency as the bottom line.

So, like in a private sector, access to resources acquired greater significance in determining the services provided and how such services are provided. Firstly, in order to be more competitive and to win contracts, all the three case study organisations were forced to take on the characteristics of their competitors to project an image, to the purchasers, that they had low unit costs. At Shelter, pressure to achieve greater efficiency led to preference of cases that are short and simple rather than longer term and more complex, which, as discussed in the earlier section, led to a reduction of specialist and challenging work. Advice was reduced from a process of helping someone to take control of their lives to transaction about a particular event or task in one's life. If a user came in with multiple needs, instead of following the case through from start to appeal looking at their multiple needs, a case would be arbitrarily closed and the user would be sent back to the homeless person's unit for reassessment as a new user on each of their needs. This impacted on the quality of services given.

Secondly, the greater attention to efficiency also meant culling of services, in some instances, core to the organisation's mission. For instance, BrAVA reduced activities around advocacy and partnership work. The Refugee Council reduced activities around campaigning as a result of funding pressures. At Shelter, a number of services, previously provided were deleted. This reduced the organisation's capacity to work on social policy, prevention, identifying needs and developing new services. It also undermined advocacy and increased pressure for the organisation's self censure in front of funders for fear of punishment.

Thirdly, a wide range of performance management tools were introduced across the three case study organisations to increase efficiency. At Shelter an Internal Audit Business Unit was introduced to enforce and improve contract compliance, minimise costs and increase efficiency. Whilst, at the Refugee Council performance management was rigorously enforced geared towards increasing efficiency. At BrAVA, increased performance management increased the professionalism and bureaucracy, which in turn reduced the previously high degree of informality in the organisation. As a result of increased accountability pressure, staff experienced increased workloads. This had significant implications, particularly with Shelter and the Refugee Council, on the quality of services provided bringing into question the legitimacy of the organisations.

Diversification, in all the three case study organisations, was a widely applied strategy with a view of increasing the revenue generating programmes. In BrAVA, this was a programme of whole shift into accredited training and volunteering. At Shelter, housing advice was repackaged into social welfare, driven by the Legal Service Commission. As a result Shelter moved away from housing based advice into generalist advice in all areas of social welfare law. This represented a departure from Shelter's core housing advice area into delivery of other services, not core to its mission.

In all the three case study organisations, such adaptive strategies had advantages and disadvantages. The key advantages are that, in all the three case study organisations, such strategies came from a process of strategic planning and therefore helped the organisations conceptualise the unmet needs of the

organisations' service users and how best such needs could be met. This had the positive benefits that it helped the organisations extend services to where previously they had no provisions. Secondly, in all the three case study organisations, it helped increase the organisations' revenue and therefore allowed the case study organisation a higher degree of financial independence. Thirdly, the generated revenue helped to pay, partly, for some of the unfunded services but also for things like IT, Management and HR which were not part of the contracts.

### **Transformational Effect of the Adaptive Strategies**

The changes meant a significant degree of restructuring bringing in policies and procedures which meant increased streamlining of operations, although in certain instances, that meant a reduced degree of informality. The strategies had the positive benefits that they brought in good practices like the strategic management processes, new ways of doing appraisals and key performance indicators linked to strategy. The strategies helped to enhance greater efficiency, increased productivity, achieve increased consistency in service delivery, better clarity of users' needs and better tracking of funds and programs. Such measures also helped the organisations to bring in money, and that allowed the case study organisations a relative degree of financial stability. It helped the case study organisations an enhanced understanding of the services to be delivered and served as a basis for introducing performance standards in their organisations. It also helped increase organisational professionalism and specialisation. As organisations appeared professional, stable and financially sound, that helped to foster and sustain an image of organisational legitimacy in the eyes of the purchasers of their services.

The disadvantages, however, are that such adaptive strategies were shaped by the dominant organisational actors upon whom the case study organisations depended around access to resources. Such dominant organisational actors, as posited by the resource dependency theorists, have no attachment to the organisation's values and missions. So they will easily adapt to the requirements of other organisations on which an organisation has to depend in order to get resources. In all the three case study organisations the strategies were driven through by management and such strategies generated tension within the three case study organisations particularly at the Refugee Council and Shelter. Although active resistance is less evidenced at

BrAVA, active resistance to such changes is much evidenced at Shelter as a result of the organisation's experience with staff and at the Refugee Council as a result of the organisation's experience with a wide range of stakeholders. Most important, however, is that BrAVA, the Refugee Council and Shelter, got trapped in the perils of delivering public services. This is more pronounced with Shelter and the Refugee Council, who thereafter, were taking their directives from the Legal Services Commission and NASS, respectively. At Shelter, almost all respondents, unanimously, admitted that the LSC in many ways and to a very great extent proved more critical and directive of the organisation's mission, fundraising, governance, workforce management and organisational values.

Therefore, these strategies brought in a number of challenges and it is these challenges that brought into question the legitimacy and independence of the three case study organisations. First, the three case study organisations were pressurised to adapt their decision making, service provision, organisational structures and organisational values to accommodate the wishes and norms of the public sector agencies as part of the contract compliance. They were also forced to mimic management structures, language, bureaucratic processes, job titles and culture to mirror the public and private sector that they worked with. Such pressures to adapt, although they did not come directly with threats of withdraw of contracts, they came as pressures for the case study organisations to demonstrate continuous improvement, greater organisational effectiveness and efficiency in search of organisational legitimacy.

These pressures are evident across the three organisations. The pressures more significantly impacted on BrAVA because, of the three, BrAVA was the much smaller organisation with only a few contracts. For both the Refugee Council and Shelter, the pressure was because they depended on, as their dominant funder, NASS and the Legal Services Commission, respectively.

New performance management system to monitor and improve performance at all levels, from individual members of staff through to divisions and the organizations as a whole were introduced notably at the Refugee Council and Shelter. These organisations also introduced business management techniques to increase

efficiency and effectiveness, and case management information systems to enable the capturing of case work performance management information. Respondents reported that such systems, like the performance management tools introduced, were not context sensitive, were heavy handed and at times punitive. This is because, respondents argued, the case study organisations had their own culture, power structures, value systems and multiple stakeholders requiring different forms of accountability, systems and procedures. A manager at BrAVA (Manager One) commented that: "BrAVA is willing to tackle issues of performance improvements and accountability, to project an image of an effective organisation, but the system is not context sensitive and does not have clarity of purpose not only to the sector context but also to the individual context of BrAVA. It is heavy handed and too prescriptive."

So over time, BrAVA, the Refugee Council and Shelter got trapped between imposed systems and organisational traditions. The imposed systems, over time impacted on the case study organisations' ability to determine their own strategy and the ability to devise solutions to emerging needs. This stifled the case study organisations' ability to experiment without fear of sanctions and this stifled innovation, responsiveness to need and flexibility of services provided. The most notable challenge around the imposed systems was the focus on performance management with emphasis on upward accountability to funders. Respondents across the three case study organisations, almost unanimously agreed that the pressure to demonstrate accountability was excessive and in many cases beyond the reasonable requirements.

The systems emphasised outcome measurement at the expense of service delivery. They required onerous reporting, auditing and monitoring at times not proportionate to the value of the contract awarded. At all times the case study organisations had to demonstrate that they had met the outcomes and made an impact in order to be paid. For instance at Shelter, payment depended on demonstration of "New Matter Started and Closed". Therefore, at times this meant internal repression, using the organisational systems, to achieve contract compliance. This did not prove the best use of staff time and often drew passive and active resistance as seen at Refugee Council and at Shelter. In all the three case study organisations, this compromised



the organisation's purpose and values. It meant fundamental changes in the organisations' working practices and significant shifts in culture to performance management with significant implications of management of change.

There were also significant financial uncertainties as a result of fluctuations of government budgets, year to year. In the majority of cases the contracts awarded were for one to three years. There was always no certainty that the contract would be renewed as the public sector increasingly faced pressures of reduced funding and as a result of increased competition. For instance, the Refugee Council was awarded a contract to manage emergency accommodation and the dispersal of asylum seekers on behalf of NASS. This contract more than tripled the Refugee Council's income. So, the Refugee Council had to grow the support infrastructure like IT, HR systems, performance management systems and management to support the delivery of the contract. However, these were not costs covered in the contract income. So, the organisation had to use its own voluntary income to develop the infrastructure. However, the contract was for only two years, with renewal, subject to a process of successful competitive tendering so that retendering can "...allow agencies to test their efficiencies against each other" (Douglas, 2000).

This problem of uncertainties around project funding often led to case study organisations' unplanned adaptation to cuts, strongly undermining their ability as independent actors. The case study organisations, also, had to align their activities to funding available. Therefore, the three case study organisations became vulnerable to government policy changes and budget cuts. They survived at the whim of the public sector from whom they derived resources for their organisational survival. This impacted on their ability to campaign and to act as independent organisations. Increasingly BrAVA was perceived by the local voluntary organisations as too close to the local authority and more or less a quasi local government agency. The Refugee Council was increasingly perceived as a quasi Home Office agency and this impacted on its fundraising from other funders.

There was also the challenge that contracts awarded did not take into account full cost recovery. They were focused on unit costs rather than the value of the services provided. This meant that the case study organisations had to subsidise these

services. At the Refugee Council, accommodation had to be provided under a unit cost ceiling of £150 per week for singles and £220/240 for families, inclusive of meals. However, under the welfare system, when asylum seekers were entitled to welfare benefits, they would get free local authority accommodation and in addition £267.82 for singles and £420.21, a week, for a family as spending money. At Shelter, and as reported in the narrative, the fixed rate for each user seen was set too low. However, and in respect to all the three case study organisations, there was no additional funding provided beyond the agreed contractual value. Such focus on unit cost ceiling had huge implications for the three case study organisations but in particular the Refugee Council and Shelter.

First it meant that these organisations' had to subsidise the contracts to maintain quality. Managers at Shelter reported that, the organisation had to subsidise the contracts to maintain quality and to remain financially viable. Shelter was spending over one million pounds a year in subsidizing contracts which led to a drop in the organisation's reserves from £6.5 to £3.5 million, in 2009 (Shelter's annual report 2008/9). Similarly, this led to the drop in reserves at BrAVA. As money had to be raised from elsewhere to subsidise these contracts often this meant that there were no money left for other unfunded services and that developing new services was often difficult.

Most critical, however, is that the focus on the unit ceiling costs had huge implications on the quality of services provided. At the Refugee Council, this often meant that accommodation secured, under the NASS arrangement, was often substandard and only targeted to fit within the given unit cost ceiling. This led to complaints by a wide range of stakeholders who perceived the Refugee Council as providing a substandard service. At shelter, cases were being closed earlier, to maintain them within the unit costs. This damaged the relationship of trust between the staff and their service users.

Acknowledging some of the complaints above, a manager at the Refugee Council (Manager One) said "And some of the conditions of some of this accommodation were very bad which meant that we had a lot of complaints from individuals, from families and community members, from ourselves, from human rights organisations

and campaigning organisations like the Medical Foundation”. A Trustee at the Refugee Council (Trustee Two) added that “People were upset with us because our independence was being undermined. We got out of this a few years later very bruised but the accusations people were making that you are losing your independence were not true”. The picture that emerges is summarised by Table 7.3 hereunder.

**Table 7.3: Impact on the Organisation’s Independence**

|  | <b>BrAVA</b>  | <b>Refugee Council</b>  | <b>Shelter</b>   |
|--|---|---|--|
| <b>Adaptive strategies</b><br><b>Price competition</b> | <ul style="list-style-type: none"> <li>Core services like advocacy and building social capital were reduced in favour of contracted services.</li> </ul>  | <ul style="list-style-type: none"> <li>Core services like advocacy and building the capacity of organisations were reduced in favour of contracted services.</li> </ul>                                       | <ul style="list-style-type: none"> <li>Reduced campaigning and advocacy work, tightened service eligibility criteria, divided up user’s problems, as new cases, to increase numbers seen; reduced specialist and challenging work in favour of short cases.</li> </ul> |
| <b>Diversification</b>                                 | <ul style="list-style-type: none"> <li>Prioritised volunteering with individually targeted employment outcomes.</li> <li>Prioritised fee based training for individuals.</li> </ul>   | <ul style="list-style-type: none"> <li>Contracted with Home Office to provide Emergency accommodation and benefit assessments like a mainstream public service provider.</li> </ul>                           | <ul style="list-style-type: none"> <li>Became a more generalist social welfare advice agency rather</li> </ul>   |
| <b>Differentiation</b>                                 | <ul style="list-style-type: none"> <li>Hired a media and PR Consultant so that the organisation can more effectively communicate its distinctiveness.</li> </ul>  | <ul style="list-style-type: none"> <li>Communicated better its distinctive advantage that it had large involvement of refugees in its service planning and delivery.</li> </ul>                               | <ul style="list-style-type: none"> <li>Piloted niche projects based on ability of either project attracting statutory or donative income.</li> </ul>   |
| <b>Market orientation</b>                              | <ul style="list-style-type: none"> <li>Formed opportunistic alliances in an attempt to leverage funding.</li> </ul>   | <ul style="list-style-type: none"> <li>Strengthened fundraising and internal structures to performance manage the contracts.</li> </ul>   | <ul style="list-style-type: none"> <li>Introduced an internal audit unit to enforce contract compliance.</li> </ul>  |
| <b>Benefits of adapted strategies.</b>                 | <ul style="list-style-type: none"> <li>Helped organisation think more laterally and more entrepreneurially, enhancing clarity of services provided.</li> <li>Improved performance management and achieving of greater value for money.</li> </ul> | <ul style="list-style-type: none"> <li>Growth in income helped organisation extend service provisions.</li> <li>Increased streamlining of operations helped increase efficiency and effectiveness.</li> </ul> | <ul style="list-style-type: none"> <li>Increased streamlining of operations helped increase efficiency and effectiveness.</li> <li>Improved performance management and achieving of greater value for money.</li> </ul>  |
| <b>Challenges as a result of adapted strategies.</b>   | <ul style="list-style-type: none"> <li>Standardised organisational systems and internal structures to achieve contract compliance.</li> </ul>   | <ul style="list-style-type: none"> <li>Reduced trust and cooperation with the refugee sector</li> <li>Shifted from serving users’ needs to serving needs of the Home</li> </ul>                               | <ul style="list-style-type: none"> <li>Accountability to ensure contract compliance, as LSC prescribed operational and managerial solutions.</li> </ul>  |

**Impact on independence and organisational legitimacy.**

- Increased upward accountability to ensure compliance, as local government prescribed operational and managerial solutions.
  - Internal repression, to drive strategies through and achieve contract compliance.
  - Increased staff workloads impacting on quality of services.
  - 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 & competitive.
  - Perceived as to close to local authority and as a quasi government agency.
  - Stifled organisational:
    - 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 ability to negotiate with funders.
  - Increased self censure for fear of sanctions.
- Office.
  - Increased upward accountability based on performance management and outcome measurement at the expense of service delivery.
  - Internal repression, to drive strategies through and achieve contract compliance.
  - Lost the flexibility and responsiveness to the refugees and asylum seekers' needs.
  - Previously productive working relationships were disrupted and replaced by tension and mistrust impacting on the building of social capital.
  - Perceived as a quasi public sector agency under the Home Office.
  - Stifled organisational:
    - 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.
- Internal repression, to drive strategies through and achieve contract compliance.
  - Subsiding contracts to maintain quality reduced voluntary income available for the core unfunded services.
  - Problem of quality damaged relationship between staff & users.
  - Reduced work on social policy, identifying and developing of new services.
  - Performance management increased professionalization, bureaucracy and reduced informality.
  - Stifled organisational:
    - 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 ability to negotiate with funders.
  - Increased self censure for fear of sanctions.

**Summing up**

Therefore, the picture that emerges, as BrAVA, the Refugee Council and Shelter got more and more trapped into the delivery of public services, as they emphasised

more and more upward accountability to the funders and as they mimicked their donor agencies' systems and procedures, the three organisations became fairly quasi-public sector bureaucracies.

The organisational strategies that they adapted, shifted them away from their founding missions; community development, empowering the marginalised communities, building social capital, campaigning and acting as the independent voice of the voiceless. The organisations became more and more public service delivery agencies. Obviously, this impacted on their founding values, ability to stick to their core missions and undermined their integrity as independent actors bringing into question their legitimacy and organisational independence.

However, the degree of erosion of their distinguishing characteristics that conferred legitimacy as independent organisational actors, varied with their dependency on one or more donors. In this case, all the three organisations had more or less one dominant funder. BrAVA largely relied on the local authority. The Refugee Council largely relied on the Home Office. Shelter had multiple sources of funding but largely relied on the LSC. This therefore meant that the transformational effect on these organisations was significant. ***So this study concludes that the more a voluntary sector organisation is dependent on one donor, the greater would be the likelihood that its legitimacy weakens as an independent actor.***

#### **7.4. Impact on the Organisations' Governance**

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

This proposition is premised on the grounds that governance in the private sector is based on the neoclassical competition theory of the firm where the objective is to maximise profits. Therefore, the main objective of governance in the corporate sector is monitoring performance on behalf of the shareholders in order to achieve greater efficiency and effectiveness aimed at minimising costs and maximising profits. So, in the private sector, the recruitment of the governing board, their incentives and accountability are all geared towards ensuring that they effectively monitor

performance to achieve greater efficiency and increased productivity in order to maximise profits for the shareholders. The shareholders interests are maximised when the managers focus on efficiency and profits based on straight forward indicators; market share, return on investments and the actual profit margins.

However, because of a number of paradoxes, governance in the voluntary sector is not about monitoring performance. It is about achieving democratic accountability, broad based governance, civic engagement, engaging the service users in the decision making process and offering training for the civil society to achieve greater participation in the democratic action. Therefore, what would be the transformational effect on a voluntary sector organisation's internal governance structures and profile, if a voluntary sector organisation has to realign its governance to the private sector governance model? According to the study's conceptual model, it is predicted that inevitably, democratic accountability, civic engagement and broad based governance will decline. The wider participation and personal development of a wider spectrum of people, the traditional ethos of the voluntary sector, would also suffer. It would be replaced by new lines of accountability (Leat, 1990; Powell and Friedkin, 1987; Scott and Russell, 2001).

Governance in the voluntary sector may vary with the size and longevity of the organisation. But in the main, all the three case organisations shared a number of the traditional voluntary sector governance distinguishing characteristics. In all the three case study organisations, their governance was not about monitoring performance. It was about achieving democratic accountability, broad based governance, wider participation, civic engagement, engaging the service users in the decision making process and training individuals so that they can more effectively participate in the democratic process.

At BrAVA, the board initially consisted of mainly volunteers without much attention to their qualifications or board experience and was restricted to voluntary sector representatives from BrAVA member organisations resident in Brent. At the Refugee Council, a third of the members were through co-option, but the rest were always democratically elected at the organisation's annual general meeting for a one year fixed term of office. Five places were designated for refugee community

organisations, member organisations of the Refugee Council. In comparison, it was less democratic at Shelter. However, still the board consisted of a good mix of housing professionals, community activist and tenants, representing the service users.

So, all the three case studies, although less democratic at Shelter, displayed characteristics of commitment to democratic accountability, civic engagement, broad based governance and the wider participation, the traditional ethos of the voluntary sector. Their governance was driven by the spirit of volunteering, community involvement and user participation. At BrAVA, this point was driven home by the organisations claim that: "BrAVA is a voluntary organisation founded by the voluntary sector, governed for the voluntary sector, for the voluntary sector in Brent".

In all the three case study organisations, the most common form of trustee recruitment was through friends or via existing board members. It is these that would encourage others to put their names forward for election or co-option at the case study organizations' elections and for cooption at Shelter. Because governance in the voluntary sector is not premised on monitoring managers on behalf of the stakeholders, there was no pressure to ensure that the case study organisations recruit the best people with the ability, knowledge and skills to monitor performance. Senior managers, at all the three case study organisations, reported being attracted to their organisations' because of their commitment to their organisation's ethos and values. As a result, they were always willing to take less pay than their counterparts in the private sector. However, they were always willing to exert more energy, than what they are paid for, and donate that as free time to the organisation or take it as part of their annual leave. So as opposed to what the agency theory predicts, they were not expected to pursue their own selfish interests. So their relationship with the trustees was very much based on trust and mutual respect.

This type of arrangement, although it had its own drawbacks, it had a number of benefits for the three case study organisations. On the positives, it offered all those that were interested a chance to serve as trustees, for a fixed term, without being restricted by their skills, knowledge or board experience. There were complaints at BrAVA and Shelter; that there was a lack of board renewal. In addition, at Shelter,

there was a complaint that there was a lack of board diversity. This is because of the manner in which the trustees were being recruited. However, this informal approach allowed a high degree of democratic accountability and involving of a wide range of stakeholders in the case study organisations' decision making processes. The lack of focus on too much accountability also offered the case study organisations freedom to experiment, innovate and act as independent actors without fear of sanctions.

### **Pressure for Change**

As a result of new public management, all the three case study organizations sought to adopt private sector practices around governance. This process was pressured onto these organisations by both external and internal drivers for change.

Externally, legislations like the Charities Act 2006, driven by new public management reforms, required that voluntary sector organisations had a strong and a diverse board in terms of its composition, areas of skills and experience to take on the overall responsibilities of rigorously monitoring the organisation's efficiency and effectiveness. This was re-emphasised by the policies and practices of new public management in tendering.

So the role of the trustees was re-engineered from that of the traditional ethos of the voluntary sector. It was replaced by emphasis on the role of trustees, in the main, setting organisational strategic direction and providing accountability to the commissioners for the contracted services and through the commissioners, accountability to the public. In awarding a contract, funders would assess evidence of continuous improvement, efficiency and effectiveness in an organisation's bid as well as diversity in representation of a wide range of stakeholders. This could be demonstrated by an organisation projecting a board and staff that are professional and highly qualified.

According to the Commissioners, professional diversity required that the organization had on its governing board professionalism around financial management, performance management, legal, communication, private sector experience, business perspective and insights derived from seating on numerous corporate boards: As put by a manager at Shelter (Manager Four), "Trustees that see the



business behind the charity as well as the need that it is striving to meet." But also, where any of the three case study organisations were successful in winning a contract, the contract would often specify who should be involved in its governance and how the contracted project should be staffed. This often emphasised professionalism to enforce quality and excluded the unskilled volunteers. This was the case at Shelter, driven by the Legal Services Commission and at the Refugee Council, driven by the Home Office. The contracts specified the skills, experience and knowledge of the board and staff that should be recruited to take strong accountability for the projects that they manage to the funders.

Internally, respondents reported that, the increased competition and the tough decisions that had to be made around scanty resources required a much more dynamic leadership from the trustees across the three case study organizations. All the three cases needed a level of expertise across the board to respond to changes and complexities of competition and its environment. They required trustees with ability to develop strategy, good strategic leadership, ability to deal with human resources, collaboration or merger issues and the ability to mitigate risk and seize on opportunities in the environment as they arise. All the three case study organisations needed a more effective board that would challenge the senior management, drive through radical changes and influence the organisation's direction.

So a premium was placed on entrepreneurial board members with experience in areas like financial management, business planning, monitoring and evaluation, personnel management, Media and PR. For instance, at Refugee Council the immediate pressure was getting a treasurer with professional financial management background, from the private sector, to assist with the financial management and to improve policies and procedures around financial management.

In all the four case study organisations, there was consensus from the respondents that although the traditional form of governance had its own benefits, such electoral processes did not yield the best results for the organisations. This was the concern at BrAVA, the Refugee Council and Shelter. There was need to recruit trustees with skills, networks and connections offering a potential source of funding. However, this was not what organisations were getting when restricted to recruitment from a limited

pool of potential trustees. According to a manager at Shelter (Manager Four), that of the three organisations was less democratic, the explanation was that: "... it can be hard to balance the need for board members who boast professional skills with the need to involve members of the community and create a truly diverse board. Community representatives or service users encouraged into the boardroom might lack the experience and confidence to grapple with complex decisions".

As a result, the three case study organisations were forced to review their governance arrangements which led to changes in the trustee recruitment and the profiles of their governance boards, in effect realigning their governance to the corporate sector governance model. The most dominant form of trustee recruitment across the three case study organisations that emerged was recruitment by external adverts subject to assessment by a Nomination Panel based on role profile. Skills, knowledge, board experience and connectedness were emphasised as the key recruitment criteria. Explaining the new governance eligibility criteria, respondents emphasised a variety of things including, understanding and experience about the organisation, the previous level of engagement or experience in governance and ability to think more strategically rather than being operational. The other area of emphasis was a need for trustees with contacts, able to open doors for the organization; funding doors, doors in terms of influence, bodies or individuals.

### **Transformational Effect of the Adaptive strategies**

The changes in the governance arrangements had their benefits and disadvantages for all the four case study organisations. They helped to bring in professionals with increased skills and experience in governance. The professionals, brought in, demonstrated a high degree of interest in organisational survival and seemed to have helped steer their organisations through the difficult times. For instance, John Wenger, at the Refugee Council, helped to reassure the stakeholders that despite the drop in income, the organisation was financially viable. So the professionals brought in ensured that internally; their boards are knowledgeable, offer good leadership, better service planning and better performance management. They placed greater emphasis on increased accountability to the funders, donors and regulatory agencies and ensured that money is spent considerably according to the donors' wishes.

This helped the case study organisations to get better clarity on what it is that they were achieving and to achieve greater efficiency with minimal resources. The professionals also placed greater emphasis on cultivating and growing donor relationships to keep funding flowing into the organisation underpinned by the ethos of an ever increased emphasis on value for money based on performance management. Externally, they helped their organisations improve the image to funders of accountability, credibility, and as well as well governed organisations. This helped their organisations have increased legitimacy, increased resources and opened up new funding doors for the case study organisations.

**Lessened democratic accountability and wider participation:** However, the professionals came in with significant challenges to the case study organisations. First, to make room for the professionals, most of the old members, who in the main were community representatives, were dropped and were replaced by professionals recruited through the Nomination Panels. This lessened democratic participation, civic engagement and the downward accountability. For instance, at BrAVA respondents reported that the link between the professionals and the voluntary sector, in Brent, became minimal. At Shelter, tenants and community activists were removed from the board and were replaced by professionals. The professionals wielded a significant amount of power and drove through significant changes. However, almost unanimously, for instance respondents at Shelter mentioned that there was almost no link between the trustees and the rest of the organisation. A manager at Shelter (Manager Six) commented to this researcher that: “So I don’t see any connection there at all. Staff on the ground, I don’t think have any perception of what the trustees do or what influence they have on the organisation. No, I think there is quite a distance actually.”

**Skewed Accountability Structures:** Secondly, the professionals became so obsessed with meeting the funding requirements focused on efficiency and greater effectiveness so as to keep money flowing into their case study organisations. As a result, accountability was skewed towards the funders as the dominant constituency within the case study organisations. It is however fair to mention, that this shift to upward accountability had started, as a result of pressures of new public

management, even before the coming in of professionals in all the four case study organisations. This shift to greater accountability meant increased emphasis on audits, monitoring and evaluation activities, growing donor relationships and attention to greater performance management to demonstrate continuous improvement. Pressures of organisational survival precluded experimentation and innovation towards none normatively sanctioned practices.

**Board perceived as an instrument of the funders:** The third challenge was around achieving a balance between meeting organisational values and strategizing organisation to maximise opportunities. This, combined with increased accountability towards the funders, alienated the internal stakeholders whose commitments were more to organisational mission and values rather than organisational survival. According to respondents across the three case study organisations, some of the trustees, staff and volunteers, perceived the professional board members as lacking interest in activities of the organisation. The professionals were deemed to have turned the boards into instrument of the funders and that they were acting as agents to align the organisation's goals and mission to those of the funders. So, the organisation's goals, mission and strategies were instead being influenced by the funders because they wielded power around access to resources essential for the case study organisations' survival.

This was the complaint by the staff and volunteers at Shelter. It was also the complaint by the wider community against BrAVA and Refugee Council. At the Refugee Council, there were concerns that Home Office requirements were just being translated into organisational policies, by the board, as presented by the senior management team. Therefore, the Board in effect, had become an instrument of the Home Office. At BrAVA, according to some of the respondents, the Board was being perceived as an instrument of the local authority acting more out of interest of aligning BrAVA's organisation's goals and mission to those of the local authority, to keep money flowing into the organisation. These perceptions are summarised by the following quotes:

“It is about balancing those accountabilities and ensuring that things are met. But I think on the negative side contracts have eroded that at BrAVA. Because, here, whatever Council wants that is what it gets”. BrAVA (Trustee Two).

“...this is not a case of an organisation determining and managing its own affairs. Rather it suggests a culture where the public sector directs the decisions of an individual organisation about how it should deliver on its mission.” BrAVA (Manager Two).

“The work we do is dictated by the legal service commission and not the users themselves. At the end of the day, we have to do it the way they want us to do it which is not the way that our service users may want us to do it”. Shelter (Manager Five).

This over dependency on the public sector exposed the boards of the three case study organisations, particularly at BrAVA and the Refugee Council to the volatile changes in government budgets as a result of change in government policies and priorities. The three case study organisations, therefore and as reported earlier in this chapter, had to constantly adapt to changes in the political process and cuts in government budgets often as a result of public expenditure constraints (Tyminiski, 1998). So the boards became constantly preoccupied with ever lengthy, specialist and complex negotiations with the funders about the contracts. Such external authorities, like the local authority at BrAVA, the Legal Service Commission at Shelter, NASS on behalf of the Home Office at the Refugee Council, were reported to be at times too prescriptive, intrusive and yet unreliable for sustenance of organisational activities, corroborated by findings of Gronbjerg (1993).

So this made the boards continuously concerned about uncertainties around government funding, relationship with government bodies, resources their agencies will receive in the future for organisational survival, the need to compete and jostle for funding and the attempt to diversify funding to avoid over dependence on public sector sources as they were not reliable. In effect, the board members became some sort of intermediaries between the government and their organisations, corroborated by findings of Harris (1998). This undermined accountability to other constituencies.

As part of new public management, tendering and contract specifications emphasised the need for wider participation in the decision making process to improve quality. In this context, the staff, volunteers and the community were the ones with tacit knowledge about the needs of the targeted service users. However, they had no ability of influencing the case studies' organisational strategic directions. In order to drive strategies through, aligned to funders priorities as opposed to organisational mission, through a process of internal repression, the internal stakeholders' involvement in the decision making processes was systematically reduced.

The three case study organisations also tried engaging the service users in the planning and delivery of the organisational activities. They encouraged user involvement through user panels and surveys to comment on things like policies, procedures and changes to service delivery. However, there were reports that once users received the services they didn't want to stay around because that reminded them of the difficult episodes in their lives. At Shelter, a manager (Manager Three) said: "They are just normal people who are getting on with their lives- why would they want to give up that Tuesday evening or Saturday to come and be on your user group? And some of them don't want to be reminded of the fact that they needed your help at some particular point." But also, in all the three case study organisations, there was a feel of scepticism as to whether the feedback, that was being given, was being taken seriously by those in power. The perception was that it was not being taken seriously. For instance, at BrAVA, the perception was that the organisation was more interested in positioning its self in order to compete. A combination of all these factors in turn, fundamentally affected the process of democratic accountability, wider participation and civic engagement within the three case study organisations.

**Increased responsibility:** In addition, as the boards became much more focused on monitoring their organisations' work as points of final accountability; both for the quality of services and the proper use of funds of their organisations, that significantly increased responsibilities for the members of the board, especially, for the honorary officials of the board, corroborated by findings of Russell and Scott

(1997). It meant attending increased meetings, developing strategies, negotiating contracts, reading and comprehending complex funding arrangements, liaising with other agencies, managing staff, preparing funding applications and lobbying funders. However, the trustees in all the three case study organisations, unlike their counterparts in the private sector were volunteers, unpaid and received no incentives to encourage their increased monitoring activities as trustees. Governance costs, across the three case study organisations, were not reimbursable in the contract specifications. This is because such costs according to the commissioners were not directly related to the project outcomes as specified in the contract.

This combined with expenditure constraints as a result of financial uncertainties, demands of tighter accountabilities and work type situations made governance as a volunteer activity unpleasant reducing the wider community's interest in the governance activities. At BrAVA, a number of trustees directly elected as community representatives that this researcher spoke to were considering resigning. However, recruitment of new community members as trustees was also reported to be difficult.

The experience of these case organisations is summarised by Table 7.4, here under.

**Table 7.4: Impact on the Organisations' Governance**

|   | <b>BrAVA</b>  | <b>Refugee Council</b>   | <b>Shelter</b>   |
|---|---|--|--|
| <b>Increased professionalization</b>      | <ul style="list-style-type: none"> <li>• Amended organisation's constitution and opened trustee eligibility to a wider catchment area.</li> <li>• Trustee recruitment based on skills and experience assessed by a Nomination Panel.</li> <li>• Better induction and training of trustees in their roles and responsibilities.</li> </ul> | <ul style="list-style-type: none"> <li>• Increased focus on skills and experience that the elected members could bring on to the board.</li> <li>• Trustees could be elected from any organisation irrespective of their membership.</li> </ul>  | <ul style="list-style-type: none"> <li>• Focus shifted to increased professionalism.</li> <li>• Trustee recruitment was by external adverts.</li> <li>• Applicants interviewed by the Nomination Panel based on their skills and experience.</li> </ul>  |
| <b>Shift in accountability structures</b> | <ul style="list-style-type: none"> <li>• Shifted emphasis to upward accountability and donor relation to ensure organisational survival.</li> <li>• Role of the trustees, in the main, shifted to providing accountability to the commissioners for the contracted services.</li> <li>• Internal repression to drive</li> </ul>           | <ul style="list-style-type: none"> <li>• Shifted emphasis to upward accountability and donor relation.</li> <li>• Role of the trustees shifted to providing accountability to the Home Office for the contracted services.</li> <li>• Internal repression to drive strategies through by the professionals.</li> </ul> | <ul style="list-style-type: none"> <li>• Shifted emphasis to upward accountability and donor relation.</li> <li>• Role of the trustees, in the main, shifted to providing accountability to the funders for the contracted services.</li> <li>• Internal repression to drive strategies through by the professionals.</li> </ul> |

strategies through by the professionals.

Impact on democratic accountability and wider participation

- Brought in increased skills and experience and increased best practice at board level
  - Increased board level understanding of the organisation's strategic position.
  - 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.
- Reduced community representation at board level.
  - Tensions between professionals and community representatives on the organisation's strategic direction.
  - Lessened democratic accountability, wider participation and civic engagement, as community representation on the board were reduced.
  - 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.
- 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 organisational activities.
  - Board perceived as an instrument of the Legal Services Commission.
  - Reduced ability of internal stakeholders in influencing service planning and delivery.

## Summing up

The three case study organisations have provided an insight into what happens when governance in the voluntary sector is aligned to the private sector governance model. It can have a great transformational effect on the internal governance structures and profile of a voluntary sector organisation.

As a result of the competitive pressures of new public management the three case study organisations were forced to align their governance to the corporate governance model. This had significant transformational effect on the organisations' governance. It forced the organisations to professionalize. This adversely impacted on the three case study organisations' democratic accountability, broad based governance and the wider participation. Once the governance model shifted to monitoring, because of the pressure of resources, upward accountability was prioritised. In effect, the boards became instruments of the funders, monitoring these organisations' performance, on their behalf as funders.



This alienated some of the internal stakeholders, whose involvement with any of the three case study organisations, was driven by commitment to the organisations' mission and not organisational survival. But also, increased monitoring activities led to increased workloads for the trustees. This combined with all the financial uncertainties and the governance pressures and made governance as a volunteering activity unpleasurable. So some trustees resigned and yet it was difficult recruiting new trustees from the community.

***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.***

## **7.5. Impact on the Organisations' Workforce Management**

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

Proposition four is based on the premises that, in its workforce management, the primary objective of an organisation, in the private sector, is to maximise workforce efficiency and effectiveness often based on an extrinsic psychological contract. This is often based on clear indicators like an individual's contribution towards an organisation's profitability, return on investment or market share. On the contrary, within the voluntary sector, the focus is on meeting the organisational goals and mission based on an intrinsic psychological contract that encourages voluntarism, informality and diversity. Therefore, organisational effectiveness within the voluntary sector is based on an organisation being able to search for a balance between the organisational goals and the hopes and aspirations of its members, attending to the individual hopes, feelings, preferences, and valuing relationships across the organisation.

It is this voluntary sector ethos that encourages the workforce paid or as volunteers to exert extra energy and remain associated with an organisation's influence or

behaviour in relation to its goals and mission. Workforce management in the voluntary sector is also less focused on outcome measurements because there are no clear indicators of performance and emphasis is on organisational collective achievements as opposed to individual performance as a unit of production.

Therefore, what would be the transformational effect on a voluntary sector organisation, if it is to align its workforce management to the private sector workforce management model of maximising workforce efficiency and effectiveness based on an extrinsic psychological contract? Central to Proposition four, the study hypothesised that realigning the voluntary sector workforce management to the private sector workforce management model would mean increased professionalization and performance management to achieve increased productivity and to achieve increased efficiency. However, that, this would undermine voluntarism, informality and diversity, the traditional ethos of the voluntary sector. Focus would shift from an intrinsic to an extrinsic psychological contract based on a fair pay for a fair day's job.

### **Workforce Management based on VSO's Traditional Model**

Across the three case study organisations, their recruitment and performance management practices were all geared towards an intrinsic psychological contract aimed at creating a challenging, meaningful work that produces a sense of well being in return for loyal committed and self motivated employees. Staff and volunteer recruitment were based on social compatibility with organisational mission, values and social environment. For instance, at BrAVA, members, volunteers and applicants from BrAVA member or user organisations were always given preference in staff recruitments. At Shelter, the organisation had as one of its strategic objectives: "Fostering further development of a motivated, outcome-focused and efficiently organized staff team". In fact Shelter excelled and was awarded as an employer of the year for two consecutive years; 2006 and 2007. Staff recruitment, was first through internal adverts and volunteers would be given preference.

Perhaps these virtues were more evident at the Refugee Council. At the Refugee Council, it was a very conscious organisational decision to ensure that staff represented the targeted population that the organisation served. So, although

recruitment was based on an Equal Opportunities policy and often through a competitive process, the organisation always aimed to increase user participation and user empowerment in the organisation's services delivery and planning. So, in the recruitment of staff and volunteers, previous service users would be given priority. This is because the organisation sought to tap into their knowledge and experience, of using the organisation's services. But also, previous service users were deemed to be more compatible with the organisation's values and social environment. As a result, there were more representation of refugees and asylum seekers in the organisations service delivery as opposed to the staff profile in other support services.

Again because the drive was about creating an intrinsic psychological contract that encourages staff to invest more, all the three case study organisations offered excellent working conditions which attracted staff to their organisations. They offered a wide range of none financial incentives. Although unlike Shelter, BrAVA and the Refugee Council did not offer competitive salaries, staff were offered flexible working conditions. For instance, they could start and finish early or they could start late and finish late, depending on their circumstances. Telephone counselling and free eye care, were also on offer. Staff were encouraged to undertake training as a way of increasing their employability. They were also allowed to volunteer with other organisations, of their choice, to increase their motivation. Shelter offered salaries above the sector average to increase staff motivation and loyalty. In addition, just like at the other three case study organisations, it extended flexibility and a wide range of support that staff could get from the organisation. Long term serving staff and volunteers, across the three case study organisations, reported that, in addition, all the three case study organisations maintained a wide range of informal channels of communication. They provided opportunities to listen to staff and volunteers which made the workforce feel valued and motivated.

Around performance management, it was in the main driven by historical precedents and organisational values. Across the three case study organisations, there was no close reference to job descriptions or person specifications, formal supervision or management. It was all often based on trust, mutual respect and commitment to the

organisation's ethos and comradely. The desire for all; staff and volunteers, was to contribute to making change in the lives of the targeted beneficiaries.

Across the three case study organisations, there was a high degree of informality, attractiveness to volunteer and a higher degree of inclusiveness. There was unity of purpose and all staff and volunteers shared their organisation's vision and were striving together for the same objectives. This is what encouraged many staff and volunteers to exert extra energy, at times paid staff donating their labour for free. It is what enabled organisations like the Refugee Council and Shelter, to reach the hard to reach populations, increase equality and diversity. This is what in turn was perceived as the effectiveness of the three case study organisations. This approach, however, also had its disadvantages as highlighted by the respondents. There were no proper systems to ensure delegation of responsibilities, lack of clarity on many aspects and hardly were skills being matched to task per se.

This experience, is summarised by a long term serving volunteer (Volunteer Two) at the Refugee Council who explained that. "...firstly, because it was all based on trust, commitment to the organisation's ethos and comradely, there was a higher degree of informality. There was a unity of purpose and all staff and volunteers were striving together for the same objectives. The downside, however, was that there were no proper systems to ensure delegation of responsibilities, lack of clarity on many aspects and hardly were skills being matched to task per se".

### **Transformational Effect of the Realigned Workforce Management Model**

As a result of pressures to drive down the unit costs and to achieve greater efficiency, respondents reported that all the three case study organisations introduced complex packages of organisational change as part of their search for increased organisational efficiency and competitiveness. At Shelter and perhaps of the three, the most revealing case study, there was a review of staff contracts and working conditions. A number of staff were made redundant to cut down on costs and to get the teams to be more competitive. All staff were literally fired and rehired on new re-negotiated contracts. All posts were downgraded and paid less salary against new salary scales. However, the working hours were increased and posts

were restructured to take on additional responsibilities from the deleted posts. Automatic salary increases was also abolished.

That picture, although not as dramatic as at Shelter, is also echoed at the other two case study organisations, especially at BrAVA. At BrAVA, with the help of Peninsula Business Services, the generous working conditions were reviewed. A number of posts were equally made redundant. The remaining posts were restructured to accommodate responsibilities of the deleted posts and recruitment to the remaining vacancies was frozen. Flexible working was reduced, sick leave was reduced to the minimum statutory provision, volunteering was restricted and staff training was reduced to the contracted project related requirements.

Such changes had a significant impact on how such organisations are perceived by those that may have wanted to associate with them. The changes resulted into a number of staff resignations and reduced morale. The changes also impacted on the informality and comradely that hitherto had been shared in the organisation. For instance, at Shelter, the changes involved protracted negotiations with the Unions that ended up at ACAS, which generated a significant amount of bad publicity for the organisation. This made it difficult for the organisation attracting new staff and volunteers and impacted on the ability of the organisation to deliver on the contracted services. A manager at shelter, lamenting the experience, commented that, "...the process of negotiation ended up at ACAS<sup>6</sup>. I think for a charity to conduct itself in that regard was a step too far probably into the commercial world. If you are looking for evidence, then there is clear evidence that the negotiations shouldn't have ended up in ACAS". (Manager Seven)

**Increased Professionalization:** To ensure continuous improvement, respondents reported that some tenders and contracts were very prescriptive in nature. For instance, to ensure quality and demonstrate a certain level of competence, some tenders and contracts specified the opening and closing hours, the professional standards and qualifications required of the workforce servicing the contracts, the job

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<sup>6</sup> Advisory, Conciliation and Arbitration Service (ACAS) is an organisation set up by government offering free, confidential and impartial advice on all employment rights issues and devoted to preventing and resolving employment disputes.

and person specifications and the contracts that the recruited staff should be offered. These sorts of requirements had the implications of driving the case study organisations towards increased professionalization to achieve increased competitiveness and increased contract compliance.

This meant that the three case study organisations had to reduce the degree of informality and be very selective in their recruitments of staff and volunteers. As a result, a wide range of standardised, uniform organisational policies and procedures were introduced to meet the service specifications. This included an introduction of more formalised volunteer recruitment policies and procedures, which greatly reduced the degree of informality and meant that the organisations had to professionalise and be more business focused. As put by a manager at Shelter: "We are much more business organisation now. We are much more driven by the contract culture. Some of that is positive but some of it is negative" (Manager Eight).

**Selective Recruitment:** To ensure quality and demonstrate a certain level of competence in their delivery of services, and as part of their contract requirements, all the four case study organisations were forced to focus on recruiting managers that are less traditional, more entrepreneurial as well as good managers. So recruitment shifted from focus on mission related acumen to recruitment of entrepreneurial managers and staff with business expertise and skills. The pressure to professionalise also meant, in some instances, that volunteers had to be replaced by paid staff. This was reported by the respondents particularly at the Refugee Council and Shelter.

**Displacement of Volunteers:** Volunteers were replaced by staff because staff were deemed to be more reliable, consistent, have clear line management and could be more easily disciplined. In other instances, volunteer recruitment was formalised and restricted to recruitment of specialists in certain areas, aligned to contract specifications. At the Refugee Council, the organisation required volunteers to have Level one accreditation from the Organisation of Immigration Service Commissioner (OISC), in order to be able to do the advice work. In addition, as part of volunteer recruitment, applicants had to go through thorough screening processes, like CRB

checks, before they could be allowed to volunteer. It also required availability for a minimum number of hours a week, in order to be taken on as a volunteer.

Such measures had benefits and disadvantages. On the positive side they helped improve the quality of services, as services were now being delivered by professionals with specialist skills and knowledge. However, such measures greatly impacted on the case organisations' inclusiveness. It made it difficult for people with lesser skills, particularly people from the black and ethnic minority communities, to volunteer. People who would have otherwise volunteered were excluded either from the organisation or from certain services. Respondents, across the three case study organisations, also reported that volunteer recruitment became difficult because of the screening processes and the need for skills. It undermined the developmental and social significance of voluntary activity and the concept of active citizen.

A volunteer at the Refugee Council (Volunteer Two) commenting on her experience around increased formality said "...it took more than 18 months for us to get our police checks -18 months. By the time we got them we had given up on volunteering and feeling that we wanted to take them out". Whilst, a volunteer manager (Manager Seven) at the Refugee Council said, "I think we are much more professional. I do think we need to say that in doing this we have lost some volunteers, without a doubt. Because it is no longer, I guess kind of a cosy organisation, where volunteers were able to do more or less what they wanted, and to give just what they wanted to individuals."

**Increased performance Management:** The other significant level of change was that achieving greater efficiency and continuous improvement required that there is increased monitoring of staff and volunteer activities to achieve service compliance as defined by the purchasers. This was driven by a need for increased monitoring of individual activities to increase productivity and achieve greater efficiency. But it was also driven by the need to demonstrate greater accountability to the funders as part of the new performance management based on the outcome regime. So across the three case study organisations, new management techniques and more formalised management structures were introduced. At Shelter, a whole Business Unit focused

on performance management and contract compliance was introduced, as mentioned earlier in this chapter.

In this context, volunteer positions were also monitored like paid positions. At Shelter and the Refugee Council, volunteer management practices were standardised across the organisations and uniform organisational policies and procedures, around volunteering, were developed to meet service specifications. Each volunteer was assigned a line manager with responsibility of supervising their work and giving them the one to one support. Volunteers were subjected to rigid opening and closing times and these were rigidly enforced by their assigned line managers to ensure quality. Volunteers were also subjected to more structured supervision sessions with their line managers. Where a volunteer could not meet the rigid requirements they were replaced often by paid staff. Citing the blurring boundary between the volunteers and paid staff, a long term serving manager, at the Refugee Council (Manager six) mentioned that: "...for example we have volunteers who are actually advisors; they are registered and regulated by OISC, they are trained and they have got specific task descriptions, just like the job descriptions, against which they are recruited. The only difference between them and the advisors is that they are not paid".

Respondents both at the Refugee Council and Shelter reported that some volunteers liked it, especially the young volunteers who wanted a feel of a work like environment and who wanted to get work experience. However, respondents reported that, the majority of volunteers found this work like situation oppressive and resigned. Amongst the three case study organisations, this is more evident at Refugee Council. It displaced volunteers from service delivery and caused tensions between the staff and volunteers. The volunteers perceived the staff as having taken over their roles and as another layer of unnecessary bureaucracy.

**Increased Monitoring of staff Activities:** The staff also had their own issues. As a result of increased pressure to monitor staff activities to increase productivity and achieve greater efficiency, there was increased monitoring of staff activities. In all the three case study organisations, respondents reported that staff were subjected to more structured ways of working. Informality was replaced by more structured working hours to meet contract specifications and guarantee service quality. There



were more structured staff supervision sessions and appraisals linked to rewards and a wide range of policies and procedures. There were more performance reviews to guarantee service levels and to ensure service compliance as defined by the purchasers. At the Refugee Council, respondents reported managers shadowing of frontline staff and regular reviews of case files as additional measures of monitoring staff performance.

**Increased Bureaucracy:** Aligned to increased monitoring of staff activities, was pressure for increased accountability to the funders. Respondents reported increased pressure around increased paper work to engage in the contract and project monitoring process. Often this involved completing pre-qualification questionnaires or completing project monitoring and evaluations questionnaires, which often varied with contracts. Respondents across the three case study organisations almost unanimously complained that this was an onerous and time consuming process with little value for the organisation or the end users of services. A manager (Manager One) at BrAVA told this researcher that: “I mean that is generally handling contracts, monitoring systems, and don’t forget the moment you take on contracts, you are just taking on the whole bureaucracy, the complaints and everything.”

In some of the case study organisations, staff reported spending 30 to 40% of their time, servicing the contract. In some cases, the amount of paper work involved, was not commensurate with the value of the contract awarded. This performance management was driven by public sector indicators and geared towards short term measurable outcomes. As a result, it ignored unintended outcomes and changes that take long to occur. It diverted staff time from serving users to servicing contracts. It increased staff working hours and yet staff time went unpaid. Staff and volunteers, across the four case study organisations, found it de-motivating and complained that this is not why they had joined the case study organisations. A manager at BrAVA (Manager one) commented that: “BrAVA was willing to tackle issues of performance improvements and accountability, to project an image of an effective organisation, but the system was not context sensitive and did not have clarity of purpose not only to the sector context but also to the individual context of BrAVA. It was heavy handed and too prescriptive.”

Aligned to achieving greater efficiency, at all the three case study organisations, staff contracts were aligned to the duration of the funding contracts. As funding contracts were issued on a year to year basis, redundancy letters were also issued on an annual basis, in relation to the duration of the funding contract. This caused heightened level of anxiety and insecurity, especially for the staff whose jobs could either potentially disappear or be taken over by other providers through TUPE. It also caused heightened levels of anxieties for the managers facing possibilities of large swathes of their funding and perhaps their own jobs disappearing. This impacted on staff loyalty to their organisations. Therefore, staff were always looking for alternative jobs as a result of job insecurity. Where staff left the organisation, respondents reported that, it impacted on the quality of the services provided, as a result of loss of staff continuity and the institutional memory.

The picture that emerges is summarised in table 7.5 hereunder:

**Table 7.5: Impact on the Organisations' Workforce Management**

|                               | <b>BrAVA</b>  | <b>Refugee Council</b>  | <b>Shelter</b>   |
|-------------------------------|---|---|--|
| <b>Workforce Recruitment</b>  | <ul style="list-style-type: none"> <li>▪ More Formalised recruitment of good entrepreneurial staff and managers with business expertise and skills.</li> <li>▪ Selective recruitment of volunteers with skills.</li> </ul>  | <ul style="list-style-type: none"> <li>▪ Formalised staff and volunteer recruitment targeted at recruiting managers with skills, knowledge and experience.</li> <li>▪ Formalised volunteer recruitment, subjecting them to formal applications, minimum qualifications and CRB checks.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Formalised recruitment targeted at recruiting entrepreneurial and good staff and managers with business expertise and skills.</li> <li>▪ Selective recruitment of volunteers with skills.</li> </ul>  |
| <b>Performance management</b> | <ul style="list-style-type: none"> <li>▪ Introduced uniform practices, policies, procedures and standardised procedures to meet service specifications.</li> </ul>  | <ul style="list-style-type: none"> <li>▪ Introduced uniform practices, policies, procedures and standardised procedures to meet service specifications.</li> </ul>  | <ul style="list-style-type: none"> <li>▪ Introduced uniform practices, policies, procedures and standardised procedures to meet service specifications.</li> </ul>   |
| <b>Volunteer Management</b>   | <ul style="list-style-type: none"> <li>▪ Reduced the informality and introduced tighter specifications.</li> <li>▪ Introduced more structured supervisions and performance reviews.</li> <li>▪ Increased volunteer workloads.</li> <li>▪ Replaced less skilled</li> </ul> | <ul style="list-style-type: none"> <li>▪ Formalised volunteer management</li> <li>▪ Reduced informality and introduced standardised volunteer management systems.</li> <li>▪ Increased volunteer workloads.</li> <li>▪ Some volunteers replaced by paid staff.</li> </ul>                         | <ul style="list-style-type: none"> <li>▪ Reduced the informality and introduced tighter specifications</li> <li>▪ Introduced more structured supervisions and performance reviews.</li> <li>▪ Replaced less skilled volunteers often from the marginalised communities with paid staff.</li> </ul> |

volunteers from the marginalised communities by paid staff.

## **Staff Management**

- Increased the monitoring meetings.
- Introduced systems for better collection of management information statistics.
- Staff workload increased.
- Harsher approach to performance management.
- New target driven performance management systems were introduced.
- Staff subjected to onerous reporting system on which they spent 40% of their time.
- 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**

- 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.
- 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.
- 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.

## **Summing up**

Under pressure of organisational survival, the three case study organisations adopted the private sector model based on maximising workforce efficiency and effectiveness, often based on an extrinsic psychological contract. That had significant transformational effect on the internal workings of the three case study organisations. All the three case study organisations became much more focused on competing and winning contracts and ensuring organisational survival. As a result this drove these organisations towards greater professionalisation and a search for increased efficiency to achieve lesser unit costs. That meant recruiting people not aligned to the organisations' missions and values, and increased monitoring of their activities to achieve greater efficiency.

That proved counterproductive as it reduced the informality, voluntarism and diversity. Individual hopes, feelings, preferences, and valuing relationships across the organisations, previously core to these organisations' working, suffered. In turn,

this impacted on service quality, employee morale, concentration and commitment to the organisations' work. Inevitably, this led to high employee turnover. ***This study therefore concludes that the faster the pace of professionalisation of services in a voluntary sector organisation the greater would be the likelihood that its key competencies of voluntarism, informality and diversity are undermined.***

## **7.6 Impact on Organisational Values**

***Proposition 5: The greater the threats to a VSO survival, as a result of the competitive pressures, the more drastic would be the impact of contract and market based competition on its core traditional values and ethos.***

This fifth and final proposition is premised on the grounds that the motivations and values of the private sector and voluntary sector organisations are appropriate within their own context, however that, they fundamentally differ. The corporate value model stresses the value of competitive strategy, risk taking, competitive positioning and the discipline of efficiency in order to maximise profits. Delivering of organisational goals, objectives and strategies, organisational fundraising, governance and workforce management are all aligned to such values. However, voluntary sector organisations come into being and exist primarily to give 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. Emphasis is on user participation, equality and cooperation across the organisation.

What, then, would be the transformational effect of super imposing the private sector value model on the institutional frameworks of the voluntary sector? Central to the above proposition, this study hypothesised that the transformational effect would be that the voluntary sector model would be replaced by greater emphasis on competitive value strategies, risk taking, competitive positioning, greater efficiency and better performance management to demonstrate organisational effectiveness. This may become fundamentally unhealthy to a voluntary sector organisation reducing its democratic accountability, wider participation and other voluntary sector traditional ethos.

## **The Value Model Across the three Case Study Organisations**

All the three case study organisations evidenced the founding traditional ethos of the voluntary sector. They were all founded as strongly value led organisations driven by the ethos of community participation, stewardship, equality of opportunities, informality, collectivism and user empowerment. These values held each of the three case study organisations together. They shaped these organisations' goals and missions, fundraising, governance and their workforce management practices. For instance, "BrAVA was founded by the voluntary sector, governed by the voluntary sector for the voluntary sector in Brent". They also shaped these organisation's paradigms as voluntarism and providing free services to the end users.

According to the respondents, as a result of such strong values, in the early days of each of the three case study organisations, there was less emphasis on individualism. Respondents explained that, partly, this was because it has traditionally been difficult measuring performance within the voluntary sector. But also there was not much emphasis on performance management and accountability. Therefore, across the three case study organisations, emphasis was on working together to preserve the group and appreciation that every one across the organisation no matter what their positions, added value, talent, skills and knowledge to the organisation as a whole. As a result, there was significant emphasis on listening to each other before decisions were made. But also decision making across the three case study organisations was through complex organisational committees that emphasised representation and wider participation.

All the three case study organisations delivered services core to their missions, shaped by their organisations' own experience, vision and needs of their members but not external pressures. BrAVA, Refugee Council and Shelter acted as independent and determined voices of their sectors and negotiated robustly with the public sector from positions of true independence. BrAVA acted as the focal point of voluntary action across the London Borough of Brent. The Refugee Council acted as the focal point of voluntary action on refugees and asylum seekers. Shelter acted as the focal point for voluntary action on Homelessness. With a large membership from across their sectors, except at Shelter, these organisations acted as leaders within

their fields. BrAVA and the Refugee Council involved their membership and wide range of stakeholders in their decision making processes through complex but often inclusive decision making committees. There is also evidence, that all the three case study organisations initially resisted competition. This helped them to build social capital and empower their local communities and or members to act decisively.

### **Pressure to Adapt**

As a result of the pressures of new public management, all the three case study organisations, even with the loftiest of missions, faced the risk of failure due to lack of financial stability to stay afloat. An increasingly competitive business environment, with shrinking support from government and private donors, required that they acquire the efficiency, flexibility, innovativeness, and disciplines traditionally associated with the competitive private sector. This forced the three case study organisations to adopt the private sector value model, with emphasis on competitive value strategies, risk taking, competitive positioning, greater efficiency and better performance management to demonstrate organisational effectiveness.

Thereafter, pressures of organisational survival and the drive to bring in resources became the most dominant themes in the three case study organisations' survival strategies. Organisational goals and mission, fundraising, governance and workforce strategies, all became aligned to competition and performance management as the new organisational values.

### **The Transformational effect of the adaptive strategies**

The internal working structures of each of the three case study organisations were affected. More standardised procedures, as discussed earlier, were introduced to support the delivery of contracts. All the three case study organisations shifted from informality, trust reporting systems and the informal consultative processes to the institutionally accepted codes of conduct based on competition and performance management. For instance, at the Refugee Council, staff and volunteers particularly reported that it became more hierarchical, with unambiguous structures defined and enforced in relation to achieving organisational aims and objectives linked to the contract specification with the Home Office.

All the three case study organisations became more focused on creating opportunities for selling their organisations' services. They became much more centralised, reduced their internal participatory mechanisms, had lesser user empowerment and had lesser incentives to build networks of trusts. They also set out to compete with organisations that they either used to support like BrAVA and the Refugee Council, or organisations that had previously been collaborative partners like Shelter and The Citizens' Advice Bureau. Respondents reported that this disrupted previously productive working relationships. BrAVA started competing with organisations it had been set up to support. The Refugee Council, started competing against organisations that it had previously collaborated with, helped to develop and brought together to collaborate and address the beneficiary needs. Refugee Council also sub contracted and enforced contract compliance, with such organisations. This led to tensions and mistrusts which also impacted on building social capital. It meant that such organisations could no longer open up and productively work with the two organisations as infrastructure support agency and refugee sector leader, respectively. This experience is summarised by the following comments:

"It is all about competition. The competition is just too tough. We are all trying to undercut each other. Everybody is trying to undercut", Shelter (Manager Six).

"Yes we would compete with the Citizens' Advice Bureau and other people for contracts, very definitely", Shelter (Manager Four).

At all the three case study organisations, their workforce management practices shifted from a focus on an intrinsic psychological contract in the recruitment and performance management of staff to an extrinsic contract focused on greater efficiency and effectiveness. The focus shifted from meeting the users' needs as the organisations' *raison d'être*, to presentation of an image of professionalism and greater efficiency in order to win contracts.

This led to significant changes in the staff and trustees attitudes. Across the three case study organisations, a focus on competitive positioning, greater attention to efficiency and performance management meant reduced staff, increased staff workload and increased monitoring activities geared at maximising workforce

efficiency. Staff were forced to work to rigid performance targets against defined organisational objectives, enforced by rigid standardised procedures designed to support delivery of the contracts. This ushered in a high degree of individualism, akin to the working practices in the private sector. It forced individuals to compete for jobs, against each other, in the face of redundancy. A volunteer at the Refugee Council reported that competition between individuals and inevitably between departments, at times led to micro management of volunteers and tensions between the ways that departments functioned.

Staff and volunteers across the three case study organisations complained that the drivers of the corporate value model were based on ensuring control, minimising risk, driving to scale standardised processes and not benefits that sit outside the narrow specifications of tenders. At the Refugee Council, staff and volunteers alike, reported that this made the organisation lose its responsiveness to the refugees and asylum seekers needs. BrAVA lost the flexibility and responsiveness to the voluntary sector organisations' needs, on its geographical patch.

According to the managers at BrAVA and the Refugee Council there was a general consensus that they shouldn't be competing with organisations whose capacities they had been set up to build. However, they justified their engagement in competitive tendering as being driven by their ability to meet the needs of vulnerable people better than other competitors. This point is, in the main, echoed by the Refugee Council which took on an Emergency Accommodation Contract with the Home Office arguing that they will provide it better than the private sector providers and that they would use their voluntary income to add value to the service. Agonising about her experience of the competitive pressures on the voluntary sector a senior manager at Shelter (Manager Four) said "I am not sure it is always for the best though. I think it is really good to get best value, but not at the expense of people, and that is why I work in Charity. I work in charity because I care about people. So that is where I am coming from. However, I am still a lonely voice".

The resulting picture that emerges is summarised in Table 7.6 hereunder:

### **Table 7.6: Impact on Organisational Values**



|   | <b>BrAVA</b>   | <b>Refugee Council</b>  | <b>Shelter</b>  |
|---|--|---|---|
| <b>Community participation</b>                | <ul style="list-style-type: none"> <li>• Shifted to competitiveness and increased efficiency and better performance management in order to win contracts.</li> </ul>   | <ul style="list-style-type: none"> <li>• Shifted to increased efficiency, competitiveness and better performance management in order to win contracts.</li> </ul>   | <ul style="list-style-type: none"> <li>• Shifted to increased efficiency, competitiveness and better performance management in order to win contracts.</li> </ul>   |
| <b>Cooperation across organisations</b>       | <ul style="list-style-type: none"> <li>• Competition disrupted previously productive working relationships.</li> <li>• Lesser need for building social capital and building strong relationships</li> </ul>  | <ul style="list-style-type: none"> <li>• Competition disrupted previously productive working relationships.</li> <li>• Lesser need of building social capital.</li> </ul>   | <ul style="list-style-type: none"> <li>• Competition disrupted previously productive working relationships.</li> </ul>  |
| <b>Concern about public benefit</b>           | <ul style="list-style-type: none"> <li>• Reduced organisational flexibility and responsiveness to community needs core to its mission.</li> <li>• Instead delivered services shaped by external pressures and threats of organisational survival.</li> <li>• Reduced freedom to set organisational priorities and ability to provide the wider benefits of services beyond contract specifications.</li> <li>• Led to challenges around freedom to uphold purpose and values, negotiating without fear of sanctions and around engaging in public debate.</li> </ul> | <ul style="list-style-type: none"> <li>• Reduced organisational flexibility and responsiveness to Refugees and Asylum seekers' needs.</li> <li>• Delivered services not core to its mission but prescribed by the Home Office.</li> <li>• Reduced freedom to set organisational priorities and ability to provide the wider benefits of services beyond contract specifications.</li> <li>• Led to challenges around freedom to uphold purpose and values, negotiating without fear of sanctions and around engaging in public debate.</li> </ul> | <ul style="list-style-type: none"> <li>• Reduced organisational innovativeness, flexibilities and responsiveness to homelessness.</li> <li>• Delivered services not core to its mission but prescribed by the LSC.</li> <li>• Reduced freedom to set organisational priorities and ability to provide the wider benefits of services beyond contract specifications.</li> <li>• Led to challenges around freedom to uphold purpose and values, negotiating without fear of sanctions and around engaging in public debate.</li> </ul> |
| <b>Line management authority</b>              | <ul style="list-style-type: none"> <li>• Reduced informality as organisation became more hierarchical.</li> </ul>  | <ul style="list-style-type: none"> <li>• Organisation became more hierarchical with reduced channels of informal communication.</li> </ul>  | <ul style="list-style-type: none"> <li>• Organisation became more centralised and hierarchical with no channels of informal communication.</li> </ul>   |
| <b>Appreciation of equality and diversity</b> | <ul style="list-style-type: none"> <li>• Internal repression to drive predetermined strategies through.</li> </ul>   | <ul style="list-style-type: none"> <li>• Less internal stakeholders' participation in decision making and increased internal repression to drive predetermined strategies through.</li> </ul>   | <ul style="list-style-type: none"> <li>• Heightened internal repression to drive predetermined strategies through.</li> </ul>   |

## Summing up

In conclusion, therefore, the study has shown that the private and voluntary sector organisations operate from different value base, both appropriate within their own sector contexts. The corporate value model is premised on the value of competitive strategies, risk taking, competitive positioning and budget discipline based on bottom

lines in order to maximise efficiency, minimise costs and maximise profits. However, as demonstrated by the three case study organisations, in this study, voluntary sector organisations come into being and exist primarily to give expression to the social, philosophical, moral and religious values of their founders. Therefore, the voluntary sector model, and as demonstrated throughout, in this study, is driven by the value of community participation, due process, stewardship, equality, informality, collectivism and user empowerment and not market based competition.

In the context of the three case study organisations this led to the benefits that, all the three case study organisations delivered services core to their missions, shaped by their organisations' own experience, vision and needs of their members but not external pressures of competition. As a result their workforce management practices were geared towards meeting the organisational goals and missions based on an intrinsic psychological contract with less focus on rigid monitoring of performance. According to respondents, such a contract motivated employee loyalty to their organisations and encouraged voluntarism, informality and diversity.

Such experiences were characterised by a lesser degree of individualism and more focus on working together as a group to preserve their organisations. There was appreciation that every one across the organisation, no matter what their positions may have been, effectively contributed to the organisations' attainment of their missions. This led to a high degree of informality, mutual trust and respect for each other. It fostered a sense of common purpose that held each of the three case study organisations and all actors within those organisations together and contributed to a sort of family and comradely feeling about the set up. That was the three case study organisations' value model, before the pressures of new public management.

As a result of the competitive pressures and the imperatives of organisational survival, the corporate value model was superimposed on the institutional frameworks of the three case study organisations. This affected the internal working structures of each of the three case study organisations. The 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. Where organisations had focused on building social capital, emphasis

shifted to creating opportunities for selling their organisations' services. The intrinsic psychological contract in the recruitment and performance management of staff was replaced by an extrinsic contract focused on greater efficiency and effectiveness. The focus shifted from meeting the users' needs as the organisations' raison d'être, to presentation of an image of professionalism and greater efficiency in order to win contracts. This disrupted the previously productive working relationships and staff and volunteers complained about the new value model.

This proposition was premised on the grounds that the greater the threats to a VSO survival, as a result of the competitive pressures, the more drastic would be the impact of contract and market based competition on its core traditional values and ethos. *This study has found that the severity of the impact of the competitive pressures of new public management on the core traditional values and ethos of the VSOs depends on the extent of threats that such organisations face for their survival as a result of such competition. The impact on organisational values seemed to be proportionate to the dependency on resources from the environment, where an organisation had to adopt and mimic the normatively sanctioned values of the institutional framework, in order to ensure organisational survival.*

## **7.7 Conclusion**

Therefore, according to the findings of this study and in answer to the research question, as a result of the competitive pressures of new public management and the imperatives of organisational survival, a voluntary sector organisation will be forced to adopt private sector practices in order to demonstrate continuous improvement, efficiency and increased effectiveness. This would have significant transformational effect on the voluntary sector organisation's goal and mission, independence, governance, workforce management and organisational values. The net effect of this transformation will be that the voluntary sector distinctive capabilities will be eroded as the organisation acquires the characteristics of its competitors or suppliers of resources to ensure organisational survival.

Inevitably an organisation would have to align its goals and mission to the goals of the private sector or its contractor to achieve mission congruence in order to win a contract. Inadvertently, that would transform the voluntary sector organisation's fundraising, governance, workforce management and organisational 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*, will be replaced by emphasis on market based values focused on meeting expectations of the funders. This, however, will vary with the extent to which an organisation is multifunctional.

Once aligned to the private sector goal and mission of competitiveness, inevitably the competitive pressures of new public management would mean that a voluntary sector organisation is dependent on resources extracted from its environment. This would require increased emphasis on upward accountability to funders to maintain the flow of resources. In addition, as demonstrated by the case of BrAVA, Refugee Council and Shelter, it will mean that an organisation has to mimic its donor agencies' systems and procedures which again will lead to significant transformational effect in the internal working of the organisation. In the case of delivery of public services, the organisations will become more and more of a public service delivery agency and will shift away from its founding mission; community development, empowering the marginalised communities, building social capital, campaigning and acting as the independent voice of the voiceless. This will undermine its integrity as an independent actor and bring into question its independence. However, as evidenced by the three case studies, the degree of erosion would vary with their dependency on one or more donors.

As an organisation mimics the systems and procedures of its supplier of resources, one of the area that would experience significant transformation as a result of the competitive pressures, would be governance. As a voluntary sector organisation aligns its governance to the private sector governance model, as a result of the competitive pressures, that would have significant transformational effect on its internal governance structures and profile. In effect, the voluntary sector organisation's governance would shift from the traditional model, to monitoring performance to increase efficiency and maximise productivity in order to reduce unit

costs. Because of the pressure of extracting resources from the environment, upward accountability will be prioritised and there will be pressure to professionalise. In effect, the board will become an instrument, monitoring the organisation's performance on behalf of the funders.

Increased monitoring and the pressure to professionalise will increase the trustee responsibilities and will alienate the internal stakeholders, whose involvement in the organisation must be pleasurable and is often driven by their commitment to the organisation's mission and not the organisation's survivability. It will therefore lessen the organisation's democratic accountability, broad based governance and the wider participation, traditional ethos of the voluntary sector governance.

As demonstrated by the three case studies, the other area where a voluntary sector organisation would benchmark either its competitors or suppliers of resources would be the area of workforce management. As a result of the competitive pressures, an organisation would have to align its workforce management to the private sector workforce management model based on maximising workforce efficiency and effectiveness. Thereafter, an organisation would become much more focused on competing and winning contracts and ensuring organisational survival. This will shift the organisation's focus to increased professionalisation and a search for greater efficiency to achieve lesser unit costs. In effect, that would mean a shift from the intrinsic to extrinsic psychological employment contract based on maximising efficiency. Workforce recruitment would shift from recruiting people with the organisation's mission related acumen to increased professionalisation and workforce recruitment not aligned to the organisations' missions and values and increased monitoring of their activities.

That will reduce the informality, voluntarism and diversity. Individual hopes, feelings, preferences, and valuing relationships across the organisation, will suffer. In turn, this will impact on service quality, employee morale, employee concentration, employee commitment to the organisation and its work and inevitably employee turnover.

Finally, as a result of the pressures of organisational survival, the private sector value model will be superimposed on the institutional frameworks of the voluntary sector organisation. As a result the value model of a VSO will shift from informality, trust reporting systems and the informal consultative processes to the institutionally accepted codes of conduct based on competition and performance management. Focus will shift 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. Where an organisation may previously have focused on community participation, due process, stewardship, equality, informality, collectivism, user empowerment and building social capital, emphasis will shift to competitive positioning. That would severely disrupt the previously productive working relationships. All this will erode the voluntary sector's effectiveness.

Therefore, according to the findings of this study, under the competitive pressures, the voluntary sector organizations have not behaved differently, from their public and private sector competitors in the competitive market of provision of public services. The voluntary sector is increasingly losing its distinguishing characteristics and increasingly becoming more "businesslike". Increasingly, as a result of the competitive pressures of new public management, it is being driven to mirror its competitors the public and private sectors. Unless this is reversed, the rationale of including the voluntary sector in the mixed economy of service provision, because of its perceived effectiveness, is increasingly becoming redundant.

As discussed in chapter two, historically the voluntary sector organisations are exempted from certain taxation because a) they provide goods and services for those that may filter through the public sector provisions b) they provide goods and services for those that would not have access to such services if they were provided in the market, and c) they provide goods and services that confer public benefit for which no market would otherwise exist (Hodkinson and Nelson, 2001). Therefore, as the sector increasingly mirrors the private sector and increasingly becomes more "businesslike", it raises a fundamental debate as to whether there is still justification for its special tax privileges or asking the public to donate money to the voluntary sector organisations.

## **Chapter 8: Discussion and Conclusion**

This study set out to evaluate the impact of the competitive pressures of new public management on the VSOs' effectiveness. Through a detailed and longitudinal case study of three VSOs, the study has examined how the competitive pressures are impacting on the VSOs' goals and missions, resource acquisition, governance, workforce management and their organisational values. It has reviewed the transformational effect on a VSO, forced as a result of the competitive pressures, to adopt the private sector practices to be able to more effectively compete, demonstrate organisational effectiveness and continuous improvement. This study, therefore, has provided empirical evidence of how VSOs are responding to the increasingly competitive and complex environment and how VSOs are adopting private sector practices to enhance their organisational competitiveness. The study has also provided empirical evidence of how the competitive pressures of new public management are impacting on the VSO's effectiveness. In this chapter, the study offers a discussion of the emergent issues from the study findings, together with its contribution to theory, implications for policy and practice, limitations of the study and the suggested areas for further research.

### **8.1 Emergent issues from the findings the study**

Findings of this study challenge the market driven notion that the efficiency of markets and the value of competition should underpin the strategy for improving voluntary sector effectiveness and the delivery of public services. In effect, this study challenges the economic theoretical traditions that often hail competition as a panacea for improved organisational effectiveness and superior organisational performance. Despite their contrasting features, the three organisations in this study, adopted the private sector practices but this did not improve their effectiveness neither did it achieve better public services for their end users. Therefore, this detailed empirical study of the process of change in these organisations seems to suggest the inadequacies of the general NPM framework which is essentially economic in its tenets, advocating for customer focus, market driven approaches, entrepreneurial management and increased accountability through increased performance management. These are returned to hereunder, against the findings of the study.

## **Customer focus**

At the core of improving public service delivery is the customer focus concept based on the "Making Managers Manage" philosophy. This new public management assumption argues for increased managerial flexibility guided by increased competitive pressures. Champions of such market-driven approaches argue that, exposed to market forces, public managers will increase their performance levels as competitive pressures will force them to focus on customer needs (Boston, Martin, Pallot, and Walsh, 1996; Kettl, 1997). As a result, it is assumed, that shaped by market forces, customer focus promotes organisations that can adapt and work better focused on the needs of their service users (Senge, 1990, p. 231; Barzelay, 1992; Howard, 1994; Kettl, 1994; Benjamin, 2010). The cited benefits are that, competitive pressure, forces an organization to re-evaluate who they are and how they work. This can provide a greater focus on organisational activities; make an organisation relevant to its beneficiaries, supporters and stakeholders. It is assumed that this can allow a more "bottom up" approach to service development where services are determined by the users and not "top down" by the managers. In addition, advocates claim that competition lowers costs, increases efficiency and improves service quality focused on the users' needs (Hood, 1995a).

However, findings of this study do not suggest that competitive pressures lead to better focus on users' needs. On the contrary, what the findings across the three case study organisations suggest, is that increased competition and the imperatives of organisational survival, forces managers to behave opportunistically by aligning to the goals of the purchasers of their services to achieve mission congruence, so that they can win contracts to enhance organisational survival. This can range from projecting an image of increased professionalism and inclusiveness to providing reimbursable services, as prescribed by the state, of individual benefits and where outcomes can be easily measured and documented (Smith and Lipsky, 1993 Alexander, Nank and Stivers, 1999). On the other hand it can lead to reduced organisational incentive around providing services to communities with deep seated and complex needs or withdrawing from provision of services were outcomes are difficult to measure. As a result of the competitive pressures, emphasis on advocacy or social value based missions, as the *raison d'être* of a VSO is lost, corroborated by



findings of Flynn and Common (1996). This is replaced by emphasis on market based values focused on meeting expectations of the funders and not the users.

### **Market Driven Approaches**

Secondly, it is assumed that market driven approaches can be utilised to drive up standards and that competition can drive out inefficiencies. Based on the rational neoclassical economics belief in the efficiency of markets (Peters, 1996), this philosophy assumes a diversity of providers competing against each other for contracts in market like structures. Competition, based on the concept of individualism and 'survival of the fittest' is assumed to resolve the tensions of what should be produced, supplied, at what cost and who should get it. Proponents of this philosophy argue that the absence of competition in the delivery of public services "generates complacency, conservatism and the failure to put the needs of citizens first" (Hindmoor, 2002: 290). Inevitably, where there are no markets and diversity of providers, proponents argue, incentives should be provided to encourage entry into the market to stimulate competition.

The findings of this study do not suggest that within the VSOs competition can help to drive up standards neither do the findings suggest that it can drive out inefficiencies. The empirical evidence suggests that focus on the unit ceiling costs and pressure to achieve increased efficiency has huge implications on the quality of services provided. Organisations become more cost conscious, focused on efficiency to drive down unit costs. As result, price subsumes quality and values, and numbers subsume judgement. This limits the scope of everyone involved from adopting broad, flexible and or dynamic approaches to meeting users' needs and reduces organisations' ability to work on social policy, advocacy, identifying needs and developing new ones.

Empirical evidence also suggests that the symmetrical resource dependency may not allow a VSO sufficient degree of independence, to rationally respond, as assumed in the market like structures. The emerging prescriptive funding environment makes it more difficult for organisations to do what they want to around improving standards of services (Akingbola, 2003; Ebrahim, 2005). A VSO may instead, take on the characteristics of their competitors. This extends the reach of

the state into the management and goal, governance and workforce management processes of the VSO (Froelich, 1999), eroding the perceived effectiveness of a VSO.

### **Entrepreneurial Management**

Advocates of market driven approaches assume the superiority and generic character of private-sector practices and technologies, and assume no distinction when advocating for applying them within the voluntary sector organisations, "management is management" (Peters, 1996, 28). However, the private sector practices are, in the main, premised on minimising costs and maximising profits as the primary objective of a private sector organisation. This objective, overrides their resource acquisition, governance, workforce management and organisational values which are all geared towards positioning an organisation to more effectively compete and maximise profits.

The findings of this study suggests that VSOs can adapt, but their adaptation appears to be more complex than as advocated in the contemporary extant literature on the private sector adaptation. For instance, the neoclassic economic traditions assume strategic planning as a rational, analytical, structured and directive process (Porter, 1980). The findings of this study suggests that despite their contrasting features all the three case study organisations used the strategic planning process as part of their adaptation to the environment. It is from the process of strategic planning that new goal and missions were set and new methods of resource acquisitions like diversification, differentiation and price based competition, adopted.

However, strategy was not as a result of a rational, deliberate and well sequenced strategic planning process. Strategy was, to an extent super imposed on the organisations, by these organisations' dominant stakeholders; the managers, driven by a search for organisational conformity with the normatively sanctioned organisational behaviours. This was because, such behaviours would be rewarded with resources. In the case of the three organisations, respondents reported internal repression of goal setting and goal analysis in the process of strategic planning, to achieve a predetermined strategy that aligns organisational missions to the funders predetermined agendas. So, strategy emerged from the patterns of the dominant

organisational stakeholders' experiences and perceived threats to their organisations as posited by Mintzberg (1978) and Mintzberg and Waters (1985). It was not from a well sequenced process as suggested by Porter (1980). So adaptation was emergent and not planned.

In addition, empirical evidence suggests that adopting private sector practices, as generically advocated, created tension between the organisations' traditional governance, workforce management and the private sector models. In order to be effective the three case study organisations adopted the private sector practices, for instance by realigning their governance, workforce management or organisational values, but this instead eroded their perceived effectiveness and legitimacy as independent voluntary sector organisations to varying degrees. Therefore, this study agrees with Leat, (1995b), McLaughlin (2004), NCVO (2004) and disagrees with Chew and Osborne (2009).

### **Performance Management**

Advocates argue that to achieve continuous improvement organisations have to shift from demand-driven governance, where success is defined by outputs, to results-driven governance, where success is defined by programmes' outcomes. This shifts emphasis from measurement of the number and quality of activities to measurement of the broader results produced and weighed against the programme objectives. The argument is that services are commissioned to achieve results and so cannot be measured by numbers or quality of activities. It is therefore the results that should be evidenced and not just, for instance, numbers seen.

The findings of this study agree with the findings of Le Roux and Wright (2010) and suggest that reliance on a range of performance measures may increase VSOs' level of effectiveness in strategic decision making and this may have some positive benefits for the organisations and their targeted service users. It can stimulate lateral thinking, help managers explain what they are achieving and help the funders and the tax payers understand better the value of the investment of their tax payments. Joint interpretation of results can enhance funders understanding of the VSOs and the challenges confronting them and can help improve decision making. So it can be a force for good.

However, the findings of this study extend knowledge on earlier findings on use of performance management by adding that in highly competitive environments, competitive pressures affect the capacity of VSOs' managers in making strategic decisions in a negative way, even if such decisions may have been in the best interest of the organisation. In a highly competitive environment managers may devote most of their administrative energies to more pressing activities such as day-to-day service delivery, at the expense of other fundamental tasks such as planning and decision making. In which case, performance measurement and use of performance management data may be seen just as a drain on resources.

In addition, in the private sector, performance management is not used as an end in itself. It is used to continuously improve results. However, in a highly competitive environment, for the VSOs, performance measurement may be an end in its self. The complexity of the nature of services that the VSOs provide may trap the VSOs managers into a mechanistic view of the process. Across the three case organisations, the strategic planning process, construction of indicators, output measurement processes, and the reporting requirements, tended to be an end in itself. A wide range of performance management tools, introduced, were reported to have been overly complex and cumbersome, causing failures, unnecessary work and costs within the system, at the expense of service delivery. The case study organisations had their own culture, power structures, value systems and multiple stakeholders requiring different forms of accountability, systems and procedures. However, these were ignored; often leading to internal repressions, in order to achieve contract compliance (Deakin, 1996).

As evidenced by the three case organisations, performance management can at times radically transform the democratic accountability structures and shift organisational emphasis to monitoring performance focused on upward accountability rather than the organisational values. In effect the boards become instruments, monitoring performance on behalf of the funders (Hulme, 1996; Harris, 1998; Golesky and DeReuiter, 1999; Harris, 2001). The pressure to professionalise, in order to achieve increased accountability, displaces the community representatives on the boards, alienates the internal value driven stakeholders,

adversely affect experimentation and innovation, and may generate internal tensions. It undermines accountability to other constituencies and the processes of democratic accountability, wider participation and civic engagement; key strengths of the voluntary sector.

In relation to workforce management, a wide range of bureaucratic standardised, uniform policies and procedures are introduced to enhance performance management and increased accountability. This shifts emphasis to increased professionalization and a search for greater efficiency based on an extrinsic psychological contract, to achieve lesser unit costs, as corroborated by findings of Rothchild (2000). Increased professionalisation leads to exclusions of the marginalised communities and exclusions of people with lesser skills. It also leads to reduced voluntarism (Lewis, 1996), informality and diversity (Akingbola, 2003), undermining the key competencies of the voluntary sector (Alexander, 2000).

## **8.2 Contribution to Theory**

In conclusion, therefore, new public management assumes the efficiency of markets and the value of competition as a strategy for improving organisational performance and the conception of management as a generic practice perfected by the private sector. As a result, proponents of new public management assumptions, without reference to the voluntary sector organisation's distinctiveness or the VSOs contextual variations, advocate for adoption of private sector practices as a strategy for improving voluntary sector effectiveness and therefore the delivery of public services, in market like structures.

As a contribution to theory, under qualitatively different conditions from the private sector, this study has taken on and tested the impact of new public management assumptions on the effectiveness of voluntary sector organisations, under competitive pressures. In so doing, the study has extended knowledge on organisational adaptation, beyond the private sector into the voluntary sector. The findings provide an empirical support that contemporary adaptation strategies are increasingly being adopted for use in the VSOs context. In response to both internal organisational factors and external environment influences, through a process of

strategic planning, VSOs are adapting competitive strategies to ensure organisational survival.

However, the findings of this study, provides compelling evidence, that the assumptions of new public management do not hold when applied under the management of the VSOs. This is because, partly, change is a more complex process than what is underpinned by the assumptions of new public management. Secondly, this study has reinforced the distinctiveness of the voluntary sector and the centrality of traditional goals and mission, resource acquisition, governance, workforce management and their value models, central to the voluntary sector organisations' effectiveness. VSOs are more complex organisations, operating from different organisational paradigms, as opposed to their counterparts in the private sector.

The study provides a solid empirical base for understanding the voluntary sector adaptive strategies, in conditions when organisations are subjected to competitive pressures. The study demonstrates that strategy development within the VSOs is not a result of a well sequenced rational planning process. Across the three case organisations, as argued earlier in this chapter, the study has shown that adaptation was not a rational process as assumed by the rational neo-economic classical traditionalists. It was emergent and opportunistic, often superimposed on organisations by the dominant organisational stakeholders in search of organisational conformity with the normatively sanctioned organisational behaviours, because conformity would be rewarded with legitimacy which precedes resources. In effect, therefore, findings in this study strongly suggest that resource dependence and the process of isomorphism are important in understanding the problem assessments, opinions and adaptive strategies of the VSOs to the pressures of new public management.

The study has clearly shown how the central assumptions of new public management; customer focus, competition, entrepreneur management and performance management can radically transform a VSO. Overall, findings of this study suggest that the competitive pressures of new public management can lead to VSOs' goal ambiguity and mission drifts, can erode their independence and

organizational legitimacy, weaken their democratic accountability and wider participation, undermine their key competencies of voluntarism, informality and diversity, and can force an organisation to mimic the normatively sanctioned values of its institutional framework. Therefore, VSOs adaptation of the private sector practices, can lead to critical challenges around their *raison d'être* and legitimacy, as a result of a combination of economic and social factors. The need to make strategic choices in order to adapt to changing external environmental pressures creates tension between the imperative of organisational survival and the VSOs' sector traditionality. This reinforces findings by Tyson (1987, p. 76), who argues that "competition may not accord with a desire for the public good".

The study has also provided an understanding of the possible transformational effect and the inadequacies that the private sector practices, as generically advocated by new public management proponents, can have, on a VSO. Specifically on VSOs' goals and missions, across the three case studies, the competitive pressures, pitted against the imperatives of organisational survival, forced managers to behave opportunistically by aligning to the goals of the purchasers of their services, to achieve mission congruence so that they can win contracts. This led to neglect of their organisational goals and missions and external pressures around organisational legitimacy, although it varied with the extent to which an organisation was multifunctional. So, the study concludes that the introduction of contracts, within the VSOs, causes organisational goal ambiguity and mission drifts.

It is also clear that, the competitive pressures forced the VSOs in the study, to increasingly focus on costs to achieve increased efficiency and lesser unit costs. However, across the three case studies, this impacted on the quality of the services that they provided. Quite clearly, therefore, increased focus on efficiency can compromise the quality of services provided.

In addition, because of the complexity of the nature of services that VSOs provide, it may be difficult achieving result based governance. Emphasis on increased accountability can easily trap managers into a mechanistic view of the performance management process, where measurements are used not to continuously improve results but as an end in themselves. But also, the competitive pressures and the

imperatives of organisational survival, may compromise the rationality of VSOs managers in the strategic decision making process; as focus shifts from the organisation's raison d'être to organisational survival.

The three case study organisations have also provided empirical evidence on what might happen when governance in the voluntary sector is aligned to the private sector governance model. It can have a great transformational effect on the internal governance structures and profile of a voluntary sector organisation. In this study, the more these organisations depended on winning market-based contracts; the more their democratic accountability and wider participation was lessened. With their governance model shifted to the monitoring of performance, as in the private sector, these organisations prioritised upward accountability, in order to bring in resources. In effect, their boards became instruments of the funders, monitoring performance on behalf of the funders. Therefore, this study 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.

From the findings of this study, under competitive pressure, the three case study organisations focused on maximising efficiency and increased effectiveness which inevitably required increased professionalisation. That had significant transformational effect on the internal workings of the three organisations. They instead became much more focused on competing, winning contracts and ensuring organisational survival which negatively affected the workforce. This study therefore concludes that, the faster the pace of professionalisation of services in a VSO, the greater would be the likelihood that its key competencies of voluntarism, informality and diversity are undermined.

Finally, as demonstrated by the findings from across the three case study organisations, voluntary sector organisations come into being and exist primarily to give expression to the social, philosophical, moral and religious values of their founders. Therefore, the voluntary sector value model should be driven by the value of community participation, due process, stewardship, equality, informality, collectivism and user empowerment, and not market based competition. However,



faced with the threats of organisational survival, across the three case organisations, this value model was eroded. The erosion varied with the extent of the threat that an organisation faced for its survival. This study therefore concludes that impact on organisational values is proportionate with the dependency on resources from the environment, where an organisation has to adopt and mimic the normatively sanctioned values of the institutional framework, in order to ensure organisational survival.

This theoretical contribution, therefore, strongly challenges the market driven notion that the efficiency of markets and the value of competition, should underpin the strategy for improving voluntary sector effectiveness and the delivery of public services. In effect, this challenges the economic theoretical traditions that often hail competition as a panacea for improved organisational effectiveness and superior organisational performance, upon which the reforms in the delivery of public services are premised. In addition, the possible transformational effect of the VSOs, highlights the risks of advocating for the voluntary sector to adopt the private sector practices without taking into consideration the distinctiveness of the voluntary sector or their contextual variations. 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 policy by showing the dangers of over trusting the markets and the contracting processes as a means of bringing about improvements in public service delivery. Therefore, in advocating for adoption of private sector practices, it is hoped that advocates will take into consideration the distinctiveness of the voluntary sector organisations and their contextual variations.

### **8.3 Implications for Policy and Practice**

It is the distinguishing characteristics of the VSOs that give the voluntary sector its key competencies, making it an alternative provider of choice, in the delivery of public services. However, the findings of this study suggest that VSOs are being incorporated into the corporatist local state, and isomorphic pressures from government are eradicating the distinctive VSOs' features. This, therefore, requires a root and branch re-evaluation of the impact of new public management on the VSOs' effectiveness, at the individual organisational level, voluntary sector level and

amongst those statutory sector officials sharing the concerns generated by the findings of this study. Central to these suggestions, at all the three levels, are implications for managers as the dominant organisational actors. These implications for policy and practice draw from the findings of the study. In addition, they are also reinforced by the researcher's own in-depth knowledge and long term experience as a senior practicing manager in the voluntary sector.

### **Implications for individual organizations**

Competition is likely to be the preferred mode of interaction between other funders, the statutory and the voluntary sector, at least, for the foreseeable future. This, therefore, needs to be accepted by the VSOs. The statutory sector needs to avoid the assumptions that wherever it wants to go the voluntary sector will follow. However, VSOs also need to work out how best to deliver superior performance without drastically impacting on their organizations' perceived effectiveness

Firstly, VSOs individually need to revisit their *raison d'être*, through a robust goal and mission audit. Such an analysis would require a disciplined acknowledgement that although faced with the pressures of organisational survival, the organisation's mission is not about just chasing money. A genuine goal and mission audit, focused on the organization's *raison d'être*, could be the first step in correcting the goal and mission ambiguity and building towards organisational legitimacy. It can provide a more effective and credible base from which to negotiate agreements with the funders. It can lead to a premium in inclusion, wider participation and reduced use of business models that mirror the statutory sectors.

Secondly, VSOs need a genuine independence audit. This would involve a review of to what extent can an organisation understand needs that govt cannot see, work with people in ways that really meet their needs, uphold its purpose and values, negotiate robustly with funders without fear of sanctions and has freedom to challenge and influence public policy in a state of statutory indifference. A true to self and genuine independence audit could be the first step towards an organisation working towards reducing its dependency on the statutory sector, increasing organisational

sustainability, becoming more assertive and increasing accountability to its constituencies.

Thirdly, such analysis need to be followed by genuine attempts by VSOs, genuinely striving to defend their independence. This would involve organisations remaining clear about their core role and functions, identifying own plans for continuing and expanding organisational work and putting proper time into the planning activity. It would involve investing more in organizational development so as to maximise opportunities and minimize threats of contracts, organizational growth and focus on service delivery. Around the prescriptive performance management systems, it would involve negotiations with the commissioners and jointly investing in finding less cumbersome techniques for gathering information and reporting in a manner that captures outcomes outside the narrow boundaries of the service specifications. VSOs also need to pay more attention to research, monitoring and evaluation so that the important links between performance measurement and accountability can be strengthened. This, however, requires being clear of the overall direction of the organization and its role in society as a result of planning from the goal and mission, and the independence audits.

Diversification appeared to be a viable strategy for reducing dependency on statutory sources. In adapting this strategy, however, organisations need to be worry of the pitfalls of unplanned expansion (Alexander, 2000), the need to grow the infrastructure to support organizational growth and generally the perils of delivering public services. The Refugee Council provides a good example of the problems of rapid unplanned organisational growth. It had to grow its infrastructure, as a result of winning a contract. But then it later withdrew from that contract and had to shrink. Shelter presents a good example of the problems of lack of full cost recovery and having to subsidise contracts to maintain quality. There is, therefore, need to resist the temptation of the pressures of inappropriately expanding. Sometimes staying small and local, being conscious about your organisational values, more effectively promoting the organisation's work and its positive effects and building better links and perspectives with other agencies may yield better results.

Fourthly, there is need to have on the board professionals with the knowledge, skills and understandings of the conceptual framework within which services are delivered. Skilled and well connected trustees can enormously help their boards respond appropriately to changes and complexities of competition and its environment. However, they can also bring in challenges for their organisations. So professionals on the board should be evenly balanced with community trustees on the board whose passionate commitment is to the work of the organisation. Organisations need to restate their community roots, strive towards increased democratic accountability and wider participation and strengthen the involvement and skills of the community trustees, as user representatives.

Fifthly, there is value in professionalism, but it is the traditional voluntary sector workforce management model that gives the sector its key competitive advantage. Therefore, excessive search for increased efficiency based on an extrinsic psychological contract, can at times undermine this competitive advantage. It can lead to redundancies, insecurity in pay and conditions, concerns relating to health and safety, heightened levels of stress and increased bureaucracy. These inadvertently affect organisational performance and service quality. It is therefore important that, in making a decision to bid for a contract, these issues are seriously considered including how they may be mitigated should they arise.

Finally, competitive value strategies, risk taking, competitive positioning, drive towards greater efficiency and better performance management may increase accountability to donors. This reduces the lack of clarity of what is it that an organisation is achieving. However, VSOs have to appreciate the real dangers of such competitive relationships. It engenders secrecy and often creates divisive relationships across organisations. It reduces the need to share information and the need to build social capital. In turn, this reduces capacity of the voluntary sector influencing policy and practice, required in order to achieve a level playing field.

#### **Implications for the infrastructure support agencies:**

Voluntary sector umbrella organizations and representative agencies, like NCVO and the CVSs, play a significant role in the institutionalisation process. They can impose, across the sector, normatively sanctioned working methods as a means of

legitimising the status of the voluntary sector as professionals. So such agencies have contributed to the structural change across the voluntary sector and can equally contribute to the corrective process.

Firstly, as voluntary sector leaders, there is need to take note that the voluntary sector distinguishing characteristics, which give the sector its key competencies, are being decimated. As argued throughout, in this study, it is these capabilities that bestow trust and legitimacy for cash donations, free labour and tax exemptions to the VSOs'. Therefore, eroding these characteristics is a serious threat to the future of the voluntary sector. So, the sector needs to take perspective on what needs to be done to achieve change and improvements for the service users without "killing the goose that lays the golden egg".

Secondly, there is need to build strong and effective structures that can effectively allow sharing of information, hammering out of positions, perspectives and sharing of agreements on how to achieve change against the cited threats. Independent of the statutory sector, such structures could be forums, working groups, CVSs, voluntary liaison Groups, thematic groups like; youth groups, disability groups, older people's groups and mental health group. Such groupings can help generate and facilitate debate on the future of the voluntary sector. However, such structures will need to be properly resourced so that they are not diverted from their *raison d'être* as a result of the competitive pressures.

Thirdly, there is need to communicate a message within and outside the sector, about the dangers of emphasizing costs against quality, the dangers of; competitive relationships, centrally driven targets, increased upward accountability, and the need to improve relationships with the commissioners. Such message should bring out how competitive relationships fragments the voluntary sector's potential of influencing public sector's policy and practice and how increased upward accountability undermines organizational accountability to self. Such communication should bring out the message that accountability should be proportionate, based on real knowledge and understanding of the practicality of achieving the targeted outcomes. However, this needs to start by the sector building stronger relationships

with each other and making it difficult for the funders or statutory agencies to divide organizations and use them against each other.

Fourthly, there is need to lobby for better working relationship between the voluntary and statutory agencies spanning across policy development, programme design and allocation of resources. Relationship should be as a result of negotiated settlement, based on respect and what the VSOs can offer, based on the principles of full cost recovery and with longer term funding. This will ensure, for instance, that commissioning decisions and the contract specifications are based on experiences of the local communities and views of the local organisations. Such relationships should enable the voluntary sector to experiment, innovate more, take risks, learn from experience and approach funders with novel alternative ideas around service delivery and how best to achieve New Public Management concepts without threatening the voluntary sector's own independence and legitimacy.

Fifthly, sector leaders need to help and facilitate building of more influence over the commissioning process. For instance, good intelligence on the public sector commissioning intentions can enable the sector to respond regarding the implications of the proposed funding policy and practice. This could be achieved through partnership and forums and by aligning more with local and national leaders sympathetic to the cause of the voluntary sector. The voluntary sector can then seek to ensure that there is trust and mutual respect with such leaders, that they are more centrally involved and accountable for the decisions made on tendering and that they are kept informed of the public policy damage to the sector.

Finally, there is need to lobby government regarding the detrimental effects to the voluntary sector organisations as a result of emphasizing costs to achieve greater efficiency over quality. Such lobbying can emphasize the dangers around service quality, staff terms and conditions, increased workloads, reduced training and development, and the staff and managers' job insecurity. This could be better achieved by voluntary sector infrastructure agencies working more collaboratively together with Trade Union organisations like Unite, Unison and the Trades Union Congress, on issues of mutual interest. The objective could be achieving government reforms aimed at addressing the threats to the workforce as a result of

the competitive pressures. However, the other objective could be around reducing the statutory agencies' discretion in commissioning and increasing commissioners' dependency on contractors in their commissioning of services. DeHoog (1984), describes an example in the States, where contractors completely dependent on the state funds to deliver services to needy clients, effectively mobilised political influence and limited the state's discretion and consequently services were determined by the contractors.

### **Implications for the statutory sector:**

It is because of the distinguishing characteristics of the voluntary sector, that the public sector is involving the sector in the delivery of public services, with the objective of achieving world class public services for the tax payers. However, the pressures shaping the mode of commissioning and delivery of public services are eroding those capabilities.

Therefore, first, the commissioners need to develop better knowledge of the ways that the VSOs work and why they are commissioning them to deliver public services. The commissioners need to recognize the distinctive capabilities of the voluntary sector and why those capabilities need to be guarded and strengthened. New public management assumptions require significant cultural change. Such change is highly a complex process requiring significant investment of resources, realistic goals and flexibility of processes over time to allow them to work. In commissioning the VSOs, it should be a logical question to ask; what characteristics out of the services commissioned are required to achieve the best outcomes for the tax payers? An answer to such a question should determine the characteristic of the services that are commissioned, how they are delivered and the agency that is commissioned to deliver them. Such an understanding may be achieved by increased involvement of the VSOs in the commissioning process and better training of the commissioners, so that they have the skills and understanding of the voluntary sector.

Secondly, the statutory sector needs to recognize that the voluntary sector agencies do not necessarily exist to deliver outcome targeted public services. They are not delivery vehicles' for the public sector service intentions. VSOs, may want at times to do things that sit outside the commissioners' interest or concerns. This should be respected and supported. VSOs are commissioned to improve quality of services

because of the nature of their service provisions. However, the current overzealous commitment to centrally driven targets and efficiency, as opposed to quality, seems to be significantly undermining the essence of involving the voluntary sector in service provisions.

Thirdly, the statutory sector needs to radically simplify the commissioning processes and the onerous performance management systems. It needs to allow sufficient time for the commissioning process, encourage and capacity build the VSOs to maximize their strength in service delivery. Therefore, the contract specifications needs to allow providers to pick up on unintended outcomes, learning and proven innovative practices from elsewhere. The quality of relationship between the voluntary and the statutory sector also needs to improve. It should be focused on participation, learning, reciprocity and transparency, in order to address some of the relational challenges cited by this study.

Fourthly, too many service delivery contracts appeared to be unnecessarily short and repeated changes of providers appeared to be unhealthy for the workforce and the end users. It is therefore important that contracts move to arrangements that provide stability and predictability both for the staff and the end users and full cost recovery, other than a commitment to the cheapest provider. This would require a continued commissioner and provider dialogue about service objectives and strategies, rather than simply imposed specifications of outputs and targets. Finally, it would help if the statutory sector can build an impact assessment, into all its policy and funding decisions, focusing on how such policies and contract specifications would impact on the VSOs. As part of the impact assessment, statutory sector agencies could also be required to operate on the same basis as the voluntary sector agencies to aid learning and understanding.

#### **8.4 Limitations of the study**

The study has a number of limitations that have to be acknowledged. Firstly, the nature of case study methodology required a sample selection of cases where the impact of the phenomena was evidently observable (Yin, 2003). So it is possible that it was an over representation in the sample of cases where the phenomena was evident. With the threats of a double dip recession and the pressures of cuts in



public sector spending, this topic has even become more relevant. Therefore, in particular, the phenomenon of this study requires more similar empirical research studies, preferably using other research strategies, to provide further evidence on the phenomena across the VSOs and to inform policy and practice.

Secondly, Case Study as the research method used, has at times been criticized as unjustifiable, inadequate and not yet properly developed to produce specific sets of guidelines for future researchers (Georgi, 1994; Jones, 1998). The study has also relied on archival data, interviews and company documents. However, these have at times been perceived as unscientific in nature and with limited replicability. Such documents may not be reliable as they are often context specific. Interviews rely on people's memory which may be loaded with emotions and subjectivity, and also because as a researcher, one may have intense exposure to the study that may unconsciously affect one's objectivity.

Therefore it may be argued that it has been difficult obtaining an accurate, representative sample and that, that has reduced the generalisability, comparability and consistency of the data collected. As such, the study may be seen as only useful as an initial exploratory tool. Such may be the views of positivists who vehemently argue for a consistent application of prescribed procedures to ensure validity and reliability, and to allow greater objectivity and accuracy of results (Georgi, 1994; Jones, 1998).

However, firstly, this researcher does not believe that the broad picture would be much changed if this study had been carried out applying a different research strategy. This is because the findings are so clear, unambiguous and express an underlying impact across the voluntary sector as a result of pressures of New Public Management assumptions and as a result of the VSOs' adaptive strategies in mitigation of such pressures.

Secondly, the researcher, throughout the course of the current study, has remained cognizant of the weaknesses of the research strategy adopted, and as discussed in chapter three, sought to address all such weaknesses. In using procedures developed around using complimentary case studies as a research strategy, the researcher believes that the current study has used a method as well developed and

tested as in the scientific field. In fact, the study has benefited from the versatility of the research method used, because it has allowed triangulation of data from multiple sources and an in-depth analysis. This researcher believes that this has increased both the internal and external validity and the generalisability of this study's findings.

## **8.5 Areas of further research:**

The study has unearthed a number of challenges as a result of the contractual practices. However, the focus of the study has been only on the voluntary sector and therefore the challenges are in relation to the voluntary sector. More studies are required around how contracting per se can be improved between the commissioners and the VSOs. A number of areas are outlined hereunder. However, these are areas of further research for other researchers to pursue. They are outside the scope of this study.

For instance, what would be the practicalities of introducing collectively bargained public terms and conditions to VSOs in order to improve commissioning? What would be the practicalities of introducing relevant legal requirements protecting the voluntary sector as a way of improving commissioning? These are rich areas for future research that could help improve commissioning. In addition, however, there is need for empirical work around the costs of contracting and its value for the tax payers. For instance, what value is contracting yielding for the tax payers? Or, is it just a paper exercise consuming resources and abating the smooth delivery of services, across sectors?

Just before submission of the findings of this study, Porter and Kramer (2011) released a paper critical of the private sector practices and presenting a new level of understanding of the negative effects of capitalism; markets, competition and business management. These authors argue that private sector organisations are major causers of social, environmental and economic problems. They argue that, private sector organisations view value creation narrowly, aim to optimise short term performance, miss the most important customers needs, disregard the well-being's of their customers and the viability of their key suppliers leading to economic distress of communities. The authors argue that the problem with private sector organisation

is that the requirements for social improvements and value creation inevitably raises costs which, according to the neoclassical theory, imposes constraints to an organisation already under pressure and competing to maximise profits. This, inevitably, leads to restructuring, redundancies and at times shift of activities to locations with lesser wage costs. These authors, therefore, argue for creation of economic value in a way that creates value for society. They argue that this can only be achieved by addressing society needs and challenges beyond corporate social responsibility, and by understanding the society' needs, benefits and harms of their action to the communities, and that it is this that can, in the long run lead to sustainable profitability.

In effect, Porter and Kramer (2011) offers another critique of the neo-classical economic theoretical tradition, further demonstrating the dangers of how a VSO can be transformed and offers an alternative model that both the VSOs and the private sector organisations, under competitive pressures, can embrace. These authors work opens up a whole new agenda for research around shared value and around how the private sector organisations can learn from the VSO that do not seek to maximise profits. As the current coalition government's public policy pronouncements around The Big Society, Open Public Services (HMSO, 2011) and cuts in public sector spending have even increased pressure on both the private and VSOs, there is need for studies of how shared value may work in practice as an alternative model in competition. There is also a need for more studies that can help to extend academia knowledge on the consequences of markets, competition and business management practices in the delivery of public services.

Fundamentally, this study has shown the profound effect that, private sector organizations and private sector management practices are having on the VSOs. Primarily, VSOs do not aim to maximize profits and this endears them to the public allowing them some tax exemptions, cash donations and donations of free labour. In a highly competitive environment, it would be reasonable to expect that as the VSOs benchmark the private sector practices, the private sector organizations are also learning from the VSOs. This becomes even more necessary if they are to compete in areas previously of exclusive domain to the VSOs. Therefore, the question is; to what extent are the VSOs influencing the private sector organizations practices in

such a competitive environment? There is need; therefore, for studies looking at to what extent the VSOs are influencing the private sector organisations' practices.

The study has recommended a goal, mission and organizational independence audit. Research on early warning signs on goal and mission drifts, and independence checklists may be highly valuable both for the voluntary sector and their commissioners. Such studies may also help in providing a self administered template which may be used by such organizations for the recommended audits.

This study has not been able to explore the wide range of issues around performance management. For instance, what is it that determines the application of the different performance regime either by the funder or the VSO? Given the overzealous commitment to performance management and the incredible amount of time that is spent on measurement, how is the performance management data used both by the service providers and commissioners? Is accountability the end, the means or both? If there is, what is the causal link between performance measurement and organizational performance? Such remain unanswered questions and, justifiably so, could be focused areas of future research activities.

Smaller, organisations especially from the Black and Ethnic Minority Communities have not that been effectively represented in this study's sample. Yet they constitute the majority of voluntary sector organisations and seem to be disproportionately affected by the competitive pressures. For instance, what is the impact of competition on their service quality, strategic planning and innovation? How do they respond to the threats of redundancies as it is unlikely that in a small organization staff can be redeployed? Therefore, there is need for another piece of research on the work, perceptions and vulnerabilities of smaller organisations and their workforce as a result of the pressures of new public management.

This study has not been able to explore the issue that because of its equal opportunities, flexible working practices, commitment to wider participation and user involvement, the sector employs more special group of people like the older people, people with disabilities and people from the black and ethnic minority

communities. However, what happens to these groups of people as a result of redundancies and job insecurity?

Finally, as a partial requirement of the Kingston DBA programme, this study set out to evaluate the impact of the competitive pressures on the VSOs, effectiveness, with VSOs adaptation as a real contemporary management issue requiring solutions based on empirical evidence. It is hoped that in the foregoing, the study has achieved the requirements of a Kingston DBA programme, providing a bridge between academic knowledge and professional practice. As its contribution to academia it has tested private sector practices under VSOs, extending theoretical knowledge of private sector practices applied under a different context. It has reinforced the distinctiveness of the VSOs, as complex and not rational organisations, and reinforced the centrality of the resource dependency and neo-institutional theory in the study of VSOs. As a result, the findings challenge NPM assumptions and question the validity and limits of accepted structures and models.

As its contribution to management practice and policy, as a result of the empirical findings, a better informed picture emerges. Although in certain respect it frames new questions, over all, actors; as individual managers, as individual VSOs, as infrastructure support agencies and as the public sector, can now get a better understanding of what they are doing to their organisations and the sector. This helps to provide answers to long-term questions and a number of solutions are suggested. It is hoped that future policy discussions and research would focus on at least as much as on public services developed and delivered through interaction between the state and voluntary sector and not just developed by the state and outsourced from the voluntary sector.

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### Appendix 1.3

| <b>Chronological summary of developments in New Public Management<br/>Post Data collections in 2009</b> |  |   |
|---|--|---|
| <b>Year</b>   | <b>Event</b>   | <b>Impact on VSOs</b>   |
| 2009  | <ul style="list-style-type: none"> <li>▪ Increased evidence of rapid expansion of outsourcing of public services from VSOs and that a significant proportion of larger organisations are receiving more than 75% of their funding from statutory sources (Cunningham and James, 2009; Shared Intelligence, 2009).</li> </ul> | <ul style="list-style-type: none"> <li>▪ Increased fears that within VSOs priority was being given to service delivery over voice of the sector.</li> <li>▪ Increased fears around the voluntary sector getting entangled in regulation and bureaucracy of the public sector.</li> <li>▪ Increased concerns of the fears around the capacity of the VSOs to be engaged.</li> <li>▪ Increased concerns around the extent to which it may compromise the VSOs' independence and the threats of the voluntary sector becoming an extension of the state.</li> <li>▪ Enhanced the debate about the role of VSOs in public service delivery and the future of the VSOs.</li> </ul> |
| 2009  | <ul style="list-style-type: none"> <li>▪ Evidence of increased complexity of government funding regimes; multiple processes, time scales, shifting priorities and high transaction costs (Buckingham (2009: 245).</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Increased the fears around the capacity of the sector to engage in Commissioning (IDeA, 2009).</li> <li>▪ New focus on increasing the awareness and understanding of the value of the VSOs' public service delivery.</li> <li>▪ Getting the VSOs involved throughout the commissioning cycle.</li> <li>▪ Simplifying and improving the bid practices.</li> </ul>   |
| 2009  | <ul style="list-style-type: none"> <li>▪ Increased concerns that commissioning and procurement are guided primarily by budget pressures and cost cutting imperatives, a narrow view of the value for money (Cunningham and James, 2009; Neitzert and Ryan-Collins, 2009).</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Increased fears of the weakening voluntary sector position.</li> <li>▪ Increased pressures on the VSOs to develop new forms of expertise and professionalism and a need for a wider cultural shift if the sector was to more effectively engage in the commissioning process. For instance, VSOs had now to appreciate a changed context and frame their bids around what the public sector want to buy and not what the VSOs want to deliver (Buckingham, 2009; Shared Intelligence, 2009).</li> </ul>  |

|      |   |  |
|------|---|--|
| 2009 | <ul style="list-style-type: none"> <li>Increased recognition of the impact the institutional framework leading to proposed new institutional structures (Blond, 2009).</li> </ul>   | <ul style="list-style-type: none"> <li>Increased VSOs mission drift – distortion of the core purpose of a VSO (Shared Intelligence, 2009)</li> <li>Increased pressures to conform to the wishes of the funders leading to compromised independence.</li> <li>Increased loss of responsiveness to innovation</li> <li>Increased pressures around workforce management (Buckingham, 2009; Melbourne, 2009).</li> <li>Proliferation of new terms and concepts within the VSOs (like Full Cost Recovery, Procurement, Commissioning, Intelligent Commissioning) impacting on organisational values (Clark et al, 2009; Shared Intelligence, 2009).</li> <li>Impact on inter organisational relationships and polarisation across the voluntary sector between: successful VSOs Vs unsuccessful in bids; and those willing and those unwilling to engage in the contracting process (Buckingham, 2009 and Melbourne, 2009)</li> </ul> |
| 2010 | <ul style="list-style-type: none"> <li>More evidence that the total amount of finance represented by contracts has increased from £4.7b in 2003/04 to 9.1bn in 2007/08 (Clark et al, 2010:47)</li> </ul>  | <ul style="list-style-type: none"> <li>It was further evidence that voluntary sector funding was being reformulated and changing markedly - "Creeping sense of crisis" regarding voluntary sector funding.</li> <li>Increased fears about the likely impact of the changing financial and political climate in which the voluntary sector was competing.</li> </ul>  |
|      | <ul style="list-style-type: none"> <li>Emergence of literature advocating for New Public Governance (Osborne, 2009)</li> </ul>  | <ul style="list-style-type: none"> <li>Literature argues that although governments are advocating for 'new public management' as the new paradigm of Public Administration and Management, there are concerns about the intra-organizational focus and limitations of this approach. But literature is very much still on the periphery NPM remains the dominant public sector policy model.</li> </ul>  |
| 2010 | <ul style="list-style-type: none"> <li>Newly emerging political and policy configuration resulting from the 2010 general elections (Conservative Party, 2008, 2010)</li> </ul>  | <ul style="list-style-type: none"> <li>Conservative party proposes Big Society to increase voluntarism, altruism, independence and diversity of the civil society in order to tackle social breakdown. It also proposes to reduce burdens in commissioning, state interference, bureaucracy, complex initiatives and to introduce longer term based contracts. However, there is no evidence yet that it is materialising.</li> </ul>  |
| 2011 | <ul style="list-style-type: none"> <li>Coalition government criticized the state as often inhuman, monolithic and clumsy and that it had grown too large and unwieldy, burdening business and locking people in a welfare dependency (HMSO, 2011). So VSOs are to be encouraged to even deliver more public services, based on the principles of; increased choice, competitiveness and increased accountability. Competitiveness of provision is to be characterised by a diversity of providers from the public, private and voluntary sectors competing as "equals" in a level playing field, where new providers challenge under</li> </ul> | <ul style="list-style-type: none"> <li>These policy pronouncements increased the pressures on the VSOs to professionalise and the need to achieve greater efficiency and effectiveness.</li> </ul>   |

|      |   |  |
|------|---|--|
|      | performance based on results (HMSO, 2011).  |  |
| 2011 | <ul style="list-style-type: none"> <li>Evidence that according to the government's own figures, VSOs are to lose nearly £3 billion in cuts over the spending review period 2011 – 2015, (NCVO, 2011)</li> </ul>   | <ul style="list-style-type: none"> <li>This very dramatic decrease in public spending increased the threats on organisational survival and meant that, many organizations face the very real challenge of having to do more with less, and in some cases closing. It therefore increased the pressure on VSOs to adapt.</li> </ul> |
| 2011 | <ul style="list-style-type: none"> <li>Growing international Open Data Movement (Open Governance) both at the state and civic society levels as a result of the growth of social media and the web, wikileaks being an example in the extremis (HMSO, 2011).</li> </ul> | <ul style="list-style-type: none"> <li>Pressure on VSOs to use the performance management information away from internal management and control to increased external accountability and control as evidence of contract compliance. Further stifling innovation (Coleman, 2011).</li> </ul>                                       |

## Appendix 3.2

### Interview questions

#### Introduction

What is your role?

When did you join the organisation?

What has been your role over the years?

#### Goals and mission

- At the time when you joined the organisation, what was your understanding as its main goals and mission and or main focus?
- Obviously with time the organisation has had to adjust to the changing environment. What do you see as the main changes in the organisation over time?
- What would you say are the most significant events that have impacted on the organisation overtime?
- What may have been the impact of such events?

#### Fundraising

- What might have been some of the factors that impacted on the organisational stability in the earlier years?
- What are some of the factors around fundraising impacting on the organisation at the moment?
- What may be the consequences of such factors?

#### Governance

- What has been the tradition around users and member involvement in the organisation decision making process?

9 As a result of many changes how is this being undertaken at the moment?

### **Staffing**

10 In relation to contracts and the increased competition, what would you say are the main issues around staff recruitment, management and retention?

11 In relation to contracts and the increased competition, what would you say are the issues around volunteer recruitment, management and retention?

### **Values**

12 What do you see as the organisation's core values at the moment?

13 How has that evolved overtime?

## **Appendix 3.3:**

### **Guide to the interview questions**

| <b>Category</b> | <b>Interview area</b>   | <b>Type/<br/>Proposition</b> |
|-----------------|---|------------------------------|
| 1               | The story of the founding of the organisation.  | Goal                         |
| 2               | Any significant changes since its founding.   | Goal                         |
| 3               | Possible explanations for the changes.  | Goal                         |
| 4               | Factors that may have impacted on the earlier financial stability of the organisation.                              | Resource Mobilisation        |
| 5               | Fundraising factors that are impacting on the organisation at the moment.   | Resource Mobilisation        |
| 6               | Traditions around users and member involvement in the organisational decision making process.                       | Governance                   |
| 7               | How the organisation is balancing issues of broad based governance, democratic accountability and civic engagement? | Governance                   |
| 8               | Perceived issues around volunteer management and retention.   | Staff                        |
| 9               | Perceived issues around staff management and retention.   | Staff                        |
| 10              | Changes in the consultative processes within the  | Values                       |

## Appendix 3.4

### List of the respondents interviewed

| <b>BrAVA</b>           |           |   | <b>Years of service</b> |
|------------------------|-----------|---|-------------------------|
| Michael                | Adeyeye   | Trustee   | 10 Years                |
| Carol                  | Allen     | Commissioner, London Borough of Brent, BrAVA Funder     | 8 Years                 |
| Anju                   | Bhatt     | Former Chief Officer, BrAVA                             | 5 Years                 |
| Jean                   | Brewer    | Trustee, BrAVA Member Organisation                      | 6 Years                 |
| Iris                   | Brown     | Trustee, BrAVA  | 10 Years                |
| Sarbjit                | Ganger    | Vice Chair BrAVA  | 10 Years                |
| William                | Gemagh    | Chief Officer, BrAVA Member organisation.               | 10 Years                |
| Marble                 | Magezi    | Chair, BrAVA  | 5 Years                 |
| Dany                   | Maher     | Founding Secretary, BrAVA                               | 5 years                 |
| Edwin                  | Mampara   | Staff, BrAVA Member organisation                        | 4 Years                 |
| Augusta                | Morton    | Commissioner, London Borough of Brent, BrAVA Funder     | 7 Years                 |
| Henry                  | Mumbi     | Staff, BrAVA Member organisation                        | 6 Years                 |
| <b>Refugee Council</b> |           |   |                         |
| Manny                  | Adams     | Operations Manager, OSS Brixton                         | 8 Years                 |
| Sami                   | Aziz      | Head of Operations ( West Midlands and East of England) | 9 Years                 |
| Chris                  | Badman    | Volunteer Development Manager                           | 4 Years                 |
| Naaz                   | Coker     | Formerly Chair  | 8 Years                 |
| Charlotte              | Cooke     | Head of operations ( North)                             | 7 Years                 |
| Christine              | De Grasse | Head of Human Resources                                 | 6 Years                 |
| Fetsum                 | Fetwi     | Operations Manager, OSS Brixton                         | 11 Years                |
| Maureen                | Flannery  | Volunteer Refugee Council                               | 12 Years                |
| Fazil                  | Kawani    | Head of Development                                     | 22 Years                |
| Almamy                 | Tal       | Volunteer Refugee Council                               | 4 Years                 |
| John                   | Wenger    | Treasurer   | 8 Years                 |
| Stephanie              | White     | Volunteer Refugee Council                               | 11 Years                |
|                        |           |   |                         |

|                |            |  |          |
|----------------|------------|--|----------|
| <b>Shelter</b> |            |  |          |
| Henny          | Braund     | Director of Resources                    | 8 Years  |
| Graeme         | Brown      | Director Scotland                        | 9 Years  |
| Les            | Burrows    | Knowledge Manager                        | 17 Years |
| Mathew         | Cunningham | Audit and Support Manager                | 6 years  |
| Vanessa        | Dixon      | Regional Manger (North West)             | 12 years |
| Lynn           | Hannah     | Regional Manager (London and South East) | 8 Years  |
| Ken            | Kanu       | Children Services Co-ordinator           | 6 Years  |
| Miriam         | Mackreth   | Services Manager                         | 7 Years  |
| Joanne         | Marks      | National Development Manager             | 11 Years |
| Helene         | Vancliffe  | Service Manager (Milton Keynes)          | 7 Years  |